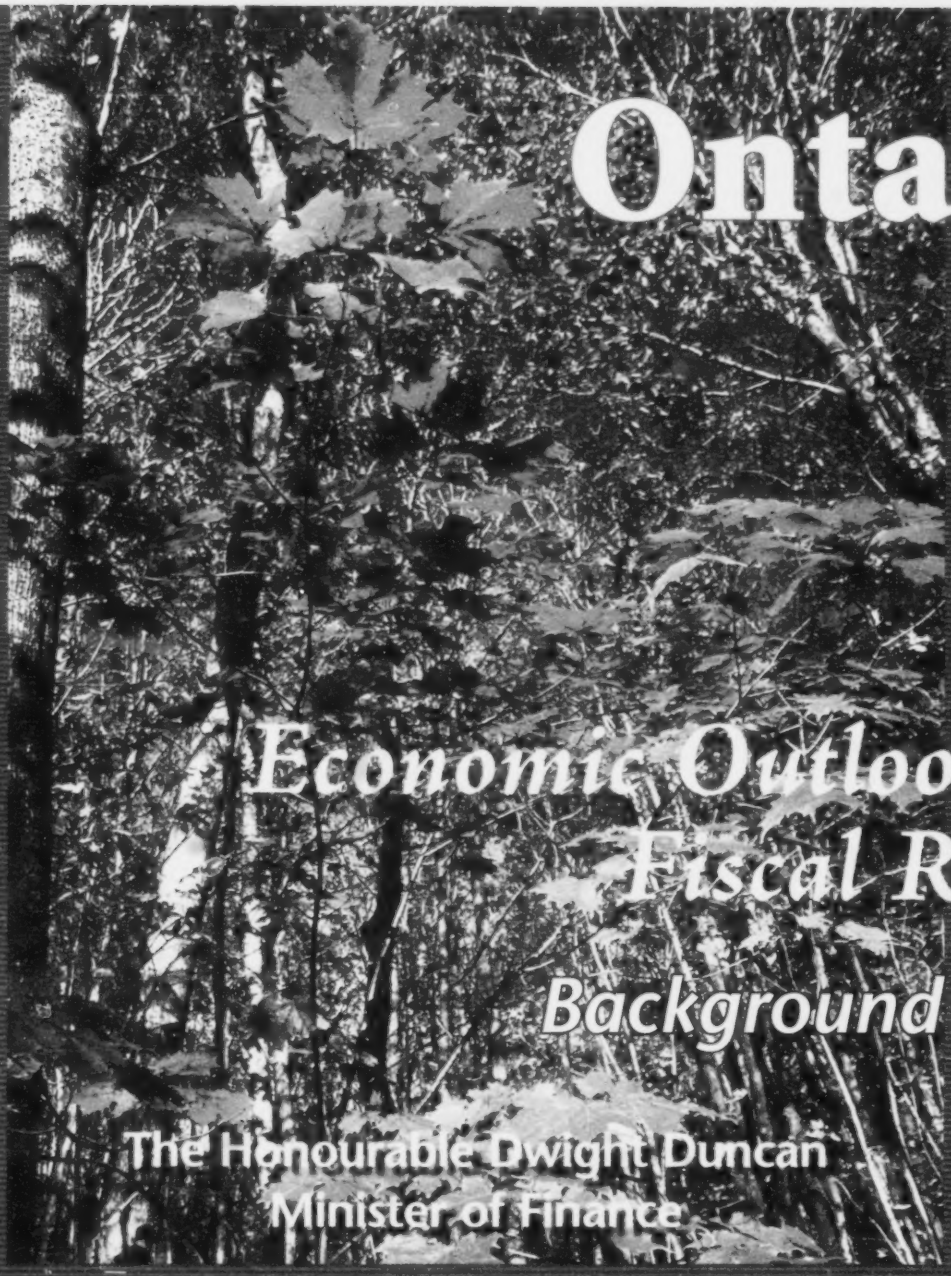
Ontario

2005



Ontario

Economic Outlook and Fiscal Review

Background Papers

The Honourable Dwight Duncan
Minister of Finance

106-00480/

Ontario

2005

Ontario

Economic Outlook and Fiscal Review

Background Papers

The Honourable Dwight Duncan
Minister of Finance

General inquiries regarding the *2005 Ontario Economic Outlook and Fiscal Review, Background Papers* should be directed to:

Ministry of Finance
95 Grosvenor Street, Queen's Park
Frost Building North, 3rd Floor
Toronto, Ontario M7A 1Z1

or call:

Ministry of Finance Information Centre
Toll-free English inquiries 1-800-337-7222
Toll-free French inquiries 1-800-668-5821
Teletypewriter (TTY) 1-800-263-7776

For electronic copies of this document, visit our Web site at
www.fin.gov.on.ca

Printed copies are available from:
Publications Ontario
880 Bay Street, Toronto, Ontario M7A 1N8
Telephone: (416) 326-5300
Toll-free: 1-800-668-9938
TTY Toll-free: 1-800-268-7095
Web site: www.publications.gov.on.ca

© Queen's Printer for Ontario, 2005
ISSN 1483-5967

Ce document est disponible en français sous le titre :
Perspectives économiques et revue financière de l'Ontario de 2005, Documents d'information

Table of Contents

Annex I	Ontario's Economic and Revenue Outlook	1
Annex II	Ontario's Medium-Term Fiscal Plan	43
Annex III	Transparency in Taxation	61
Annex IV	Borrowing and Debt Management	109
Annex V	Fiscal Tables and Graphs	121
Annex VI	Economic Data Tables	137
Annex VII	How to Participate in the 2006 Pre-Budget Consultations	179

ANNEX I

ONTARIO'S ECONOMIC AND REVENUE OUTLOOK

Introduction and Overview

This annex outlines Ontario's current economic and revenue outlook.[1] It discusses how these have evolved since the 2005 Budget. Although the global economic environment is constantly changing, as are Ontario's growth prospects, the province's economic outlook is positive and the fiscal plan remains on track.

During the first half of 2005, the Ontario economy demonstrated considerable resilience in the face of higher oil prices and the strong Canadian dollar. The average private-sector forecast for Ontario real growth in 2005 has increased from 2.3 per cent at the time of the 2005 Ontario Budget to 2.5 per cent currently. Based on the positive developments to date, the Ministry of Finance real gross domestic product (GDP) growth assumption for 2005 has been increased from 2.0 per cent at the time of the 2005 Ontario Budget to 2.2 per cent currently.

While Ontario's economic growth has exceeded expectations during the first half of 2005, the sharp increases in oil prices and the Canadian dollar since Hurricanes Katrina and Rita have affected the province's growth prospects for the future. Private-sector forecasts for Ontario real growth in 2006 have decreased from 2.9 per cent at the time of the 2005 Ontario Budget to 2.6 per cent currently.

Ontario Economic Outlook
(Per Cent)

	2003	2004	2005p	2006p	2007p	2008p
Real GDP Growth	1.7	2.8	2.2	2.6	3.2	3.3
Nominal GDP Growth	3.3	4.7	4.1	4.5	4.8	5.0
Unemployment Rate	7.0	6.8	6.7	6.5	6.3	6.1
CPI Inflation	2.7	1.9	2.3	2.2	1.8	1.9

p = projection

Sources: Statistics Canada and Ontario Ministry of Finance.

Private-sector forecasters expect Ontario's real economic growth to average 2.9 per cent annually over the 2005 to 2008 period. This forecast reflects the interplay of external forces, including the stronger Canadian dollar, interest rates, the health of the U.S. economy and higher oil prices. Over the past few years, both oil prices and the Canadian dollar have moved in a direction that has restrained Ontario's economic growth. From 2001 to 2004, real GDP increased by an annual average rate of 2.3 per cent, compared to

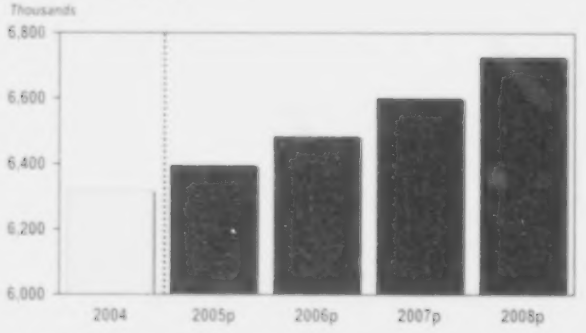
[1] This document is based on economic data available at October 26, 2005.

its 20-year average of 3.0 per cent. Employment is expected to rise by 1.2 per cent in 2005, following a 1.7 per cent gain in 2004. This has resulted in modest gains in personal income and spending.

Over the 2007 to 2008 period, growth is expected to improve as the economy adjusts to the strong dollar and higher oil prices. Private-sector forecasters expect real output to rise by 3.2 per cent in 2007 and 3.3 per cent in 2008. These projections of economic growth support the outlook for revenue growth over the 2005-06 to 2008-09 period. The Ontario Ministry of Finance's revised planning assumptions for 2005 to 2008 are at or below the private-sector average.

The Ontario economy has added 193,100 net new jobs since September 2003. This year, average annual employment is expected to grow by 77,000 jobs. There have been strong job gains in wholesale and retail trade; education; finance, insurance, real estate and leasing; and construction. Job gains have lowered the unemployment rate to 6.4 per cent in September 2005.

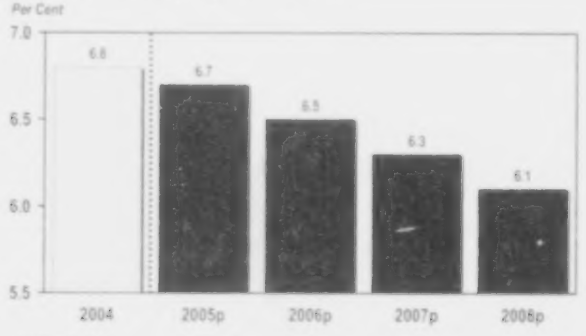
Ontario Employment



p = projection
Sources: Statistics Canada and Ontario Ministry of Finance

Ontario employment is expected to increase by 1.4 per cent in 2006, following an estimated gain of 1.2 per cent in 2005, or 167,000 jobs over this two-year period. Economic growth is projected to strengthen in 2007 and 2008, generating an additional 242,000 jobs, an average increase of 1.9 per cent a year. This will bring Ontario's unemployment rate down to 6.1 per cent in 2008.

Ontario Unemployment Rate



p = projection
Sources: Statistics Canada and Ontario Ministry of Finance

Ontario is part of the North American manufacturing heartland and is well situated to serve major Canadian and U.S. markets. Ontario's top 10 manufacturing export industries contributing 89 per cent of total manufacturing exports enjoy significant skills and knowledge advantages, as well as competitive labour costs, when compared to the United States.

Ontario's top 10 manufacturing export industries have a higher proportion of their workforce that have completed postsecondary education than their counterparts in the United States. In Ontario, about 48 per cent of the workforce in these industries have completed postsecondary education. In the United States, 32 per cent have completed postsecondary education.

ONTARIO'S TOP 10 MANUFACTURING EXPORT INDUSTRIES SKILLS ADVANTAGE (2001)
SHARE OF WORKFORCE WITH COMPLETED POSTSECONDARY EDUCATION

	Ontario's Skills Advantage %*	Ontario %	U.S.%
Motor Vehicle and Equipments	16	43	27
Chemicals	12	60	48
Machinery	27	60	33
Primary Metals	25	47	22
Computer and Electronics	16	70	55
Plastic and Rubber	13	37	24
Food	19	39	20
Pulp and Paper	16	42	26
Fabricated Metal	25	47	22
Furniture	18	36	18
Total	16	**48**	**32**

* Ontario's per cent of workforce with completed postsecondary education minus that of the United States.

Ages 25 and older. Numbers do not add due to rounding.

Sources: Statistics Canada, U.S. Bureau of Labor Statistics, and Ontario Ministry of Finance comparisons based on OECD standardized educational attainment categories.

For seven of the top 10 manufacturing export industries[2], Ontario labour costs (wages plus health costs) are lower than in the United States at 81.8 cents US (the average exchange rate for the past 12 months). These seven Ontario industries contribute 72 per cent of the province's total manufacturing exports. The industries with the highest labour-cost advantage in 2003 included computer and electronics (15 per cent), the automotive sector (12 per cent) and chemicals (11 per cent). The projected 2006 exchange rate of 84.4 cents US for the Canadian dollar in this report would reduce the labour-cost advantage for these Ontario industries by roughly three percentage points, although they remain competitive.

[2] These include motor vehicle assembly and parts; chemicals; computer and electronics; plastic and rubber; food; fabricated metal; and furniture.

The short-term economic outlook is strongly influenced by events originating outside Ontario, such as oil prices, the high Canadian dollar and U.S. economic growth. The provincial government has little or no influence over these developments, but it does influence the long-term trends that ultimately determine the standard of living in Ontario.

As stated in the October 2005 Throne Speech, the government is aiming to strengthen Ontario's underlying advantages, which will help maintain strong growth in the face of increasing global competition and volatility.

Strengthening Ontario's Economic Advantage

The key features of the Ontario Government's strategy are:

- **Education and skills,** because a well-educated population is vital to attracting investment and boosting productivity in all areas of a modern high-tech economy. Toyota's recent decision to build a new plant in Ontario was heavily influenced by the high quality of the workforce they found in their previous operations in Ontario.
- **Improving the health of our people,** because healthy workers are productive workers. The availability of universal, cost-effective health care is a major cost saving for Ontario employers.
- **Innovation for the 21st century,** to ensure that Ontario is at the forefront of new discoveries, with the ability to turn them into products and services and market them to the world.
- **Leveraging our diversity:** Ontario attracts the best and brightest from around the world. This will be an increasing advantage for Ontario as our population ages, and we have to make the most of it by eliminating barriers that hinder the full and productive integration of new Canadians into our workforce.
- **Getting the fundamentals right:** Ontario is committed to a sound fiscal policy, and ensuring that public infrastructure and electricity are provided in a timely and cost-effective manner.

The $6.2 billion Reaching Higher plan announced in the 2005 Budget will invest in postsecondary education and training over the next five years, further strengthening the competitive advantage of Ontario's economy and supporting the Ontario Government's Strong People, Strong Economy priority.

POSTSECONDARY EDUCATION INITIATIVES: REACHING HIGHER

As announced in the 2005 Ontario Budget, $6.2 billion in new investments are being made in postsecondary education by 2009-10 to enhance Ontario's competitive advantage:

- A significant increase in the number of students enrolled at universities and colleges.
- 14,000 more students in graduate education by 2009-10.
- Enhanced student assistance for 135,000 students starting this year, including 32,000 receiving low-income tuition grants.
- A new Ontario Trust for Student Support to establish endowments for student bursaries.
- Initiatives to improve access for people previously under-represented in higher learning.
- New funding to improve health education and expand first-year medical spaces by 23 per cent.
- Additional capital support to expand graduate and medical school education.
- Funding for new labour-market services and initiatives for new Canadians.

INITIATIVES FOR NEW CANADIANS

The Ontario Government has introduced initiatives to ensure new Canadians can contribute the skills they bring to the province:

- Over 35 Bridge Training projects to help qualified new Canadians move quickly into the labour market.
- Continued funding for the World Education Services Canada (WES) to assess the educational qualifications of newcomers.
- Career planning information for 22 professions and 13 skilled trades and new labour-market information Web sites to assist internationally trained individuals.
- Reduced barriers and improved opportunities by working with 36 occupational regulators.
- A new immigration portal on the Internet to provide timely labour-market and skills accreditation information to prospective newcomers.
- Progress made in establishing a One-Stop Training and Employment System to provide seamless access to all training and employment programs.
- Progress being made to conclude an immigration agreement with the federal government to provide new funding for settlement and language training, including funding English-as-a-Second-Language to provide training for an additional 30,000 newcomers to Ontario.
- An International Medical Graduate (IMG) program to provide training, assessment and support to ensure internationally trained medical professionals can become registered and practise in Ontario.

Additional information on Ontario's economic performance can be found in Annex VI, *Economic Data Tables*.

SECTION I: ONTARIO ECONOMIC OUTLOOK

This section outlines the Ontario economic outlook for 2005 to 2008. In order to establish reasonable fiscal plans, the government monitors and consults with private-sector forecasters to develop a set of economic projections. The assumptions about Ontario's economic performance that are used in fiscal planning are typically at or below the average private-sector forecast.

Currently, private-sector economists, on average, expect Ontario real GDP growth of 2.5 per cent in 2005, 2.6 per cent in 2006, 3.2 per cent in 2007 and 3.3 per cent in 2008.

PRIVATE-SECTOR FORECASTS FOR ONTARIO REAL GDP GROWTH (PER CENT)

	2005	2006	2007	2008
Conference Board (October)	2.4	2.9	3.4	3.4
Global Insight (October)	2.9	2.5	2.8	3.0
Centre for Spatial Economics (August)	2.4	3.0	3.0	3.0
University of Toronto (September)	2.8	2.1	3.4	3.6
Bank of Montreal (August)	2.7	3.4	–	–
RBC Financial (October)	2.4	3.1	–	–
Scotiabank (October)	2.3	2.0	–	–
TD Bank (September)	2.6	2.7	–	–
Nesbitt Burns (October)	2.3	2.3	–	–
CIBC World Markets (October)	2.3	1.8	–	–
Average	**2.5**	**2.6**	**3.2**	**3.3**

Source: Ontario Ministry of Finance Survey of Forecasts (October 2005).

CHANGES IN PRIVATE-SECTOR FORECASTS FOR EXTERNAL FACTORS

Although Ontario's economic performance so far in 2005 has exceeded expectations in terms of output, employment and incomes, there have been a number of developments in the global economy that pose significant challenges.

Oil prices have risen higher and faster than almost any forecaster had projected. Other key commodity prices have increased sharply as well, including natural gas, metals and minerals. This raises costs for Ontario's businesses and consumers.

As commodity prices have climbed this year, the Canadian dollar's appreciation has gathered momentum. The currency touched a 13-year high against the U.S. dollar in late September 2005. This hinders the ability of Ontario businesses to compete in the global economy. However, the high dollar benefits some Ontario households and businesses by lowering the cost of imported consumption goods and investment in machinery and equipment.

The U.S. economy has continued to grow at a strong pace, close to the projections underlying the 2005 Ontario Budget. The devastation caused by Hurricanes Katrina and Rita temporarily disrupted the U.S. economy, but rebuilding efforts may stimulate activity in the final months of 2005 and the first part of 2006. High levels of consumer debt and the massive U.S. fiscal and current account deficits raise questions about the sustainability of U.S. economic growth.

Short-term interest rates have remained close to levels expected in May 2005. Long-term rates, however, have been significantly lower than expected. The Bank of Canada has increased its target for the overnight interest rate twice in the past two months, and has signalled that there are likely to be additional increases in the coming year.

The table below highlights the changes since the Budget in the average private-sector forecast of several external factors that are key determinants of Ontario's economic growth.

Key External Factors Affecting Ontario's Economy
Average Private-Sector Forecast

	2005 Outlook		2006 Outlook	
	2005 Budget May	Current October	2005 Budget May	Current October
Canadian Dollar (Cents US)	82.0	82.4	82.4	84.4
Crude Oil ($ US per Barrel)	49.1	57.4	44.5	59.1
U.S. Real GDP Growth (Per Cent)	3.4	3.5	3.3	3.3
3-month Treasury Bill Rate (Per Cent)	2.6	2.7	3.3	3.5
10-year Government Bond Rate (Per Cent)	4.5	4.1	5.0	4.5

Sources: Consensus Economics, *Blue Chip Economic Indicators* and Ontario Ministry of Finance Survey of Forecasts.

The most significant change in private-sector forecasts has been a dramatic rise in the outlook for oil prices. At the time of the Budget, forecasters projected crude oil prices would average $49.10 US per barrel in 2005 and ease to $44.50 US in 2006. Since then, assessments of the price of oil have been revised substantially higher, with the average private-sector projection now $57.40 US per barrel in 2005 and $59.10 US per barrel in 2006.

Forecasts of the Canadian dollar currently average 84.4 cents US for 2006 — two cents higher than projected at the time of the Budget.

External factors have a significant bearing on the performance of the Ontario economy and deviations from their projected path can cause the province's growth to be slower or faster.

The table on the next page shows the typical range for the first- and second-year impact of changes in these external factors on the real growth of our economy. These estimates are based on historical relationships and illustrate the upper and lower bounds for the average response. The results show the implications of changes in key assumptions in isolation from changes to other external factors. The combination of other circumstances can also have a substantial bearing on the actual outcome. The range of possible impacts reflects a variety of factors. For example:

- A percentage point increase in U.S. real growth would add 0.3 to 0.7 percentage points to real growth in Ontario in the first year. In this case, the range in part reflects the fact that the impact on Ontario growth depends on the composition of U.S. growth.

- A five-cent rise in the Canadian dollar would reduce Ontario real growth by 0.2 to 0.9 percentage points in the first year. This range reflects a number of uncertainties, such as the extent to which firms pass lower import costs through to domestic prices for goods and services in Canada.
- A sustained $10 US per barrel increase in the price of world crude oil would lower U.S. growth and trim Ontario's real growth by 0.3 to 0.7 percentage points in the first year. This impact assumes a matching rise in natural gas prices since it is a substitute source of energy. The range is due in part to uncertainty regarding the degree to which higher energy costs affect consumer and business expectations and behaviour.
- A one percentage point rise in nominal interest rates would reduce Ontario real GDP growth by 0.1 to 0.5 percentage points in the first year. Real growth would be reduced further in the second year, owing to the length of time it takes for monetary policy changes to affect spending. Higher interest rates discourage interest-sensitive spending such as housing and durable goods purchases. The range in part reflects the extent to which the negative impact would be offset by higher interest income.

IMPACTS OF CHANGES IN KEY ASSUMPTIONS ON ONTARIO REAL GDP GROWTH* (PERCENTAGE POINT CHANGE)

	First Year	Second Year
Canadian Dollar Appreciates by Five Cents US	-0.2 to -0.9	-0.7 to -1.4
World Crude Oil Prices Increase by $10 US per Barrel	-0.3 to -0.7	-0.1 to -0.5
U.S. Real GDP Growth Increases by One Percentage Point	+0.3 to +0.7	+0.4 to +0.8
Canadian Interest Rates Increase by One Percentage Point	-0.1 to -0.5	-0.2 to -0.6

*Impacts based on changes being sustained.

Source: Ontario Ministry of Finance.

CHANGES IN THE ECONOMIC OUTLOOK FOR 2005

The Ontario economy has shown remarkable resilience to date in the face of mounting external pressure from higher oil prices and the stronger Canadian dollar. Data thus far in 2005 show the actual performance of the Ontario economy has exceeded expectations. This has led to a cautious upward adjustment to the Ministry of Finance economic outlook for 2005.

Real GDP is now expected to increase by 2.2 per cent in 2005, up from the Budget's projection of 2.0 per cent. As a result of stronger economic growth, job creation has been stronger, with employment now expected to increase by 1.2 per cent, above the 1.0 per cent projection in the Budget. The better showing in the labour market has bolstered the consumer sector. Personal income is projected to increase by 4.2 per cent this year, compared to the Budget forecast of 3.8 per cent, while the outlook for retail sales growth has been raised from 4.0 per cent to 5.0 per cent. Housing starts are projected to reach 78,600 units this year, up from the Budget view of 75,400. The business sector is performing better than anticipated as well, with corporate profits expected to grow by 5.2 per cent in 2005, compared to the Budget assumption of 3.0 per cent.

The table below shows changes in key forecast components compared to the Budget projections for 2005.

THE ONTARIO ECONOMY IN 2005 (PER CENT CHANGE)

	2005 Budget	2005 Fall Update
Real Gross Domestic Product	2.0	2.2
Personal consumption	2.6	3.2
Residential construction	0.8	0.8
Non-residential construction	1.8	1.6
Machinery and equipment	10.3	5.2
Exports	2.0	1.1
Imports	4.9	2.8
Nominal Gross Domestic Product	3.9	4.1
Other Economic Indicators		
Retail sales	4.0	5.0
Housing starts (000s)	75.4	78.6
Personal income	3.8	4.2
Wages and salaries*	3.6	4.1
Corporate profits	3.0	5.2
Consumer Price Index	2.1	2.3
Labour Market		
Employment	1.0	1.2
Job creation (000s)	65	77
Unemployment rate (per cent)	6.7	6.7

*Includes supplementary labour income.

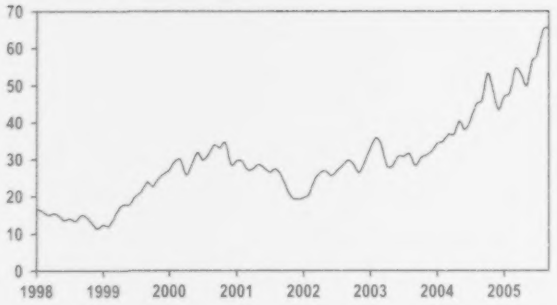
Source: Ontario Ministry of Finance.

Oil Prices

Oil prices have risen dramatically over the past three years, more than doubling from under $30 US per barrel in September 2003 to a record $70 US in late August of this year. The steep increase in oil prices over this period reflects, in large part, strong global demand, particularly from China, and the lowest level of worldwide spare production capacity in three decades. Other factors have played a role as well, including political unrest in key oil-producing regions.

Crude Oil Prices

$ US per barrel, West Texas Intermediate



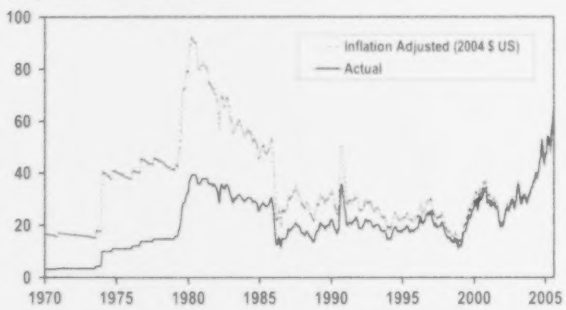
Source: New York Mercantile Exchange

The main drivers behind the dramatic rise in oil prices are likely to remain in place in the near term, augmented by the disruption of production and refining capacity in the Gulf of Mexico. As a result, the average private-sector forecast, measured by Consensus Economics, is for high oil prices to persist. The price of crude oil is projected to be $62.00 US per barrel in January 2006, easing to $57.30 US in October 2006. It should be noted that there is a considerable difference of opinion among forecasters about the likely path of oil prices, with forecasts for October 2006 ranging from a low of $48 US per barrel to a high of $75 US.

Over the longer term, many forecasters expect crude oil prices to ease to about $50 US in 2007 and 2008, reflecting a better balance between supply and demand. Though a moderation from current levels, this would still be well above the price range expected for oil as recently as June.

Actual and Inflation-Adjusted Crude Oil Prices

$ US per barrel, West Texas Intermediate



Sources: New York Mercantile Exchange and U.S. Bureau of Labor Statistics

Crude oil is a key commodity for all major industrialized economies, particularly the United States, which consumes about a quarter of global production. The Ontario economy is vulnerable to high oil prices because it imports virtually all of the oil required to meet consumer and business demand.

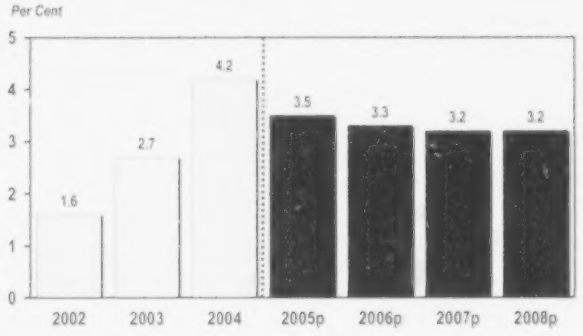
In the current environment, three major factors suggest it is unlikely that the run-up in oil prices by itself will significantly slow U.S. economic growth:

- The recent rise in oil prices has been driven in large part by demand. The increase has been more gradual and of longer duration than during previous periods, when sharp and sudden withdrawals of oil supply caused wild price fluctuations. For example, the price of crude oil jumped 168 per cent in 1974, 152 per cent between 1978 and 1980, and 111 per cent between 1998 and 2000. By comparison, oil prices increased 59 per cent between 2002 and 2004, and a further 39 per cent in 2005 (based on the average private-sector forecast for 2005) — a total increase of 120 per cent over these three years. The difference in the recent period has been the persistence in price increases, with crude oil up a record nine straight quarters.
- In inflation-adjusted terms, the price of oil today remains well below the record levels reached in the early 1980s.
- The U.S. economy is less reliant on energy than in the past. Energy intensity, as measured by the ratio of energy consumption to U.S. real GDP, has declined by about 50 per cent over the last 35 years.
- The Ontario economy is also more energy efficient. Since 1981, Ontario real GDP has almost doubled while the province's consumption of petroleum products has risen by about 17 per cent and consumption of natural gas has risen by only 48 per cent.

U.S. Economy

The U.S. economy is expected to grow by 3.5 per cent in 2005, easing from a gain of 4.2 per cent in 2004, the fastest pace of growth since 1999. Economists expect growth to moderate but remain healthy. The *Blue Chip Economic Indicators* survey calls for U.S. real GDP growth of 3.3 per cent in 2006 and 3.2 per cent in both 2007 and 2008.

U.S. Real GDP Growth



p = private-sector survey average
Sources: U.S. Bureau of Economic Analysis and *Blue Chip Economic Indicators* (October 2005)

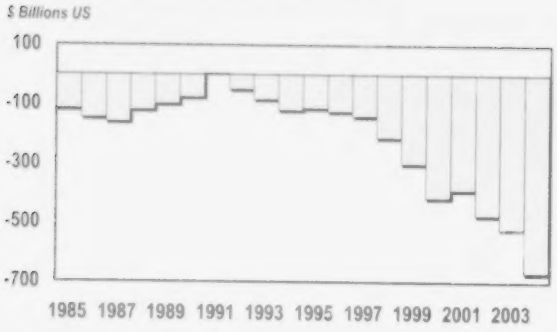
The strength and composition of the U.S. expansion are key determinants of the pace of growth in Ontario. The U.S. economy is Ontario's largest export market. Exports to the United States accounted for over 90 per cent of Ontario international merchandise exports in 2004, led by the automotive sector at 45.3 per cent of the total.

There are a number of risks to the U.S. outlook. Taken together, surging energy prices, rising interest rates and burgeoning personal debt levels could begin to dampen household spending. The potential for softening house prices could reduce funds available from home-equity financing. Higher gasoline prices appear to have curbed, at least temporarily, consumer demand for vehicles, especially models with low gas mileage.

There is concern that the record size of the U.S. budget and current account deficits leave the economy exposed to a potential cutback in foreign capital inflows. As of the second quarter of 2005, the U.S. current account deficit was equivalent to 6.3 per cent of GDP, surpassing 2004's record of 5.7 per cent. Government spending associated with post-hurricane rebuilding is providing near term stimulus, but soaring import prices for commodities and other materials are expected to push both the fiscal and current account deficits higher in 2006.

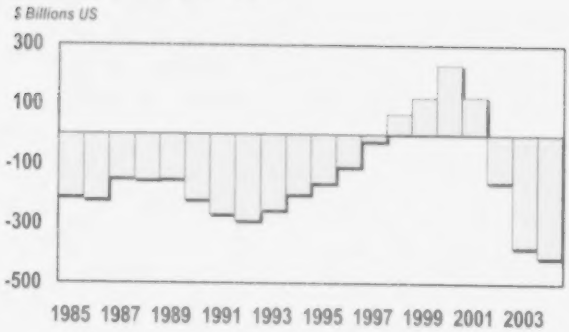
Over the past decade, U.S. growth has been driven by domestic demand, while international trade has been a drag on economic growth. If confidence in the U.S. economy were to weaken, the U.S. dollar could depreciate sharply, causing interest rates to rise rapidly, weakening overall U.S. economic activity. Ontario's economy, which is closely tied to the U.S. economy, would also suffer in such a scenario. However, forecasts for continued U.S. economic growth indicate that economists expect the current account and fiscal deficits to be reduced gradually over time without an abrupt setback. Forecasts for U.S. real GDP growth in 2006, among the over 50 forecasters surveyed by the *Blue Chip Economic Indicators*, range from 2.5 to 4.0 per cent.

U.S. Current Account Balance



Source: U.S. Department of Commerce

U.S. Fiscal Balance



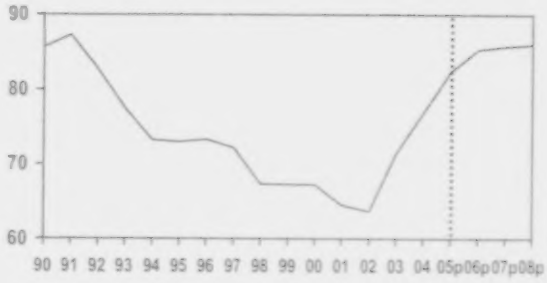
Source: U.S. Office of Management and Budget

THE CANADA-U.S. EXCHANGE RATE

The Canadian dollar has appreciated markedly against the U.S. dollar over the past three years. Since early 2002, the dollar has risen 38 per cent against the U.S. currency, reaching a 13-year high of over 86 cents US in late September 2005. The Canadian dollar has also appreciated against other currencies recently, rising over 13 per cent against the euro and close to 11 per cent against the Japanese yen since last December. The Canadian dollar's strength in recent years is a reflection of solid economic fundamentals and rising commodity prices.

Canadian Dollar

Cents US, Annual Average



p = projection
Sources: Bank of Canada and Ontario Ministry of Finance

The rapid increase in the Canadian dollar is a challenge for Ontario manufacturers who sell their goods in an increasingly competitive global marketplace. Manufacturers, who make up 21 per cent of Ontario's economic activity, are responding by investing to raise productivity. In addition, production is moving towards higher value-added products.

About 60 per cent of Ontario machinery and equipment is imported from the United States. The higher dollar lowers the cost of machinery and equipment imports that help to increase productivity. At the same time, the higher dollar increases the purchasing power of Ontario consumers by lowering prices for imported consumption goods and reducing the costs of travelling outside Canada.

There is considerable difference of opinion about the future path of the dollar. Private-sector forecasts for the average value of the dollar in 2006 range from a low of 80.5 cents US to a high of 88.5 cents US, averaging 84.4 cents US.

PRIVATE-SECTOR FORECASTS FOR THE CANADIAN DOLLAR (CENTS US)

	2003	2004	2005p	2006p	2007p	2008p
Average	71.4	76.8	82.4	84.4	82.9	83.6
High	–	–	–	88.5	86.4	85.9
Low	–	–	–	80.5	79.8	81.0

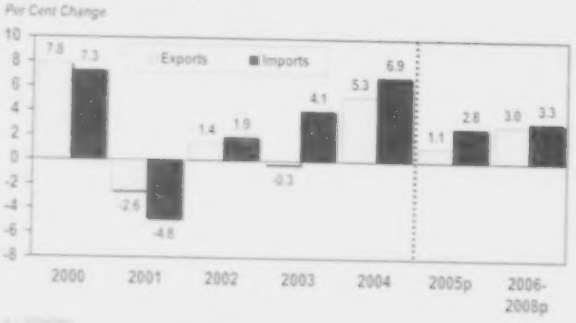
p = private-sector survey average.

Sources: Bank of Canada and Ontario Ministry of Finance Survey of Forecasts (October 2005).

EXPORTS FACE COMPETITIVE PRESSURES

Facing the significant challenges of a high dollar and high oil prices, Ontario export volumes are expected to increase marginally in 2005, rising by only 1.1 per cent. Ontario exporters are adjusting to the higher dollar by increasing productivity, lowering input costs and shifting towards higher-value products. Over the medium term, exports are expected to strengthen, supported by rising demand in the rest of Canada, the United States and other regions of the world.

Ontario Real International and Interprovincial Trade



The auto sector accounted for 45.3 per cent of Ontario's merchandise exports to the United States in 2004. Although U.S. auto sales in 2005 are likely to be close to last year's pace of 17.3 million units, this has required heavy incentives such as "employee discount programs," which are likely shifting sales from the near future. Private-sector forecasters expect U.S. auto sales to ease to 17 million units in 2006 and remain close to that level in 2007 and 2008. Weak profits will limit the auto industry's capacity to keep relying on incentives to sustain sales. Ontario's share of North American vehicle production has risen from 15.7 per cent in 2003 to an estimated 16.4 per cent in 2005. Over the medium term, Ontario auto exports will benefit from new production lines, including the new Toyota plant in Woodstock, which is scheduled to begin production in 2008.

Machinery and equipment exports, which accounted for 19.8 per cent of the province's merchandise exports in 2004, are up a modest 2.0 per cent so far this year, as firms face more intense international competition. As manufacturing firms adjust to the higher dollar, Ontario's machinery and equipment exports are expected to strengthen. Real business investment on machinery and equipment in the United States is projected to increase by 11.7 per cent in 2005 and 9.6 per cent in 2006.

Industrial goods and materials exports - such as iron, steel, other metals, rubber and plastics - which account for about 20 per cent of Ontario's merchandise exports, have been the strongest export category this year, up 8.1 per cent on a year-to-date basis. Overall world economic growth is strong, leading to buoyant demand for industrial materials. Increased demand for industrial goods and materials from the rest of Canada, the United States and the rest of world will contribute to strengthening Ontario exports of these products.

China and India have become growing markets for Ontario exports. Over the past four years, Ontario merchandise exports to India increased dramatically, climbing 76 per cent, followed by China (up 63 per cent), Europe (up 36 per cent) and Japan (up 12 per cent). Over the medium term, China's economy is expected to grow by over 8.0 per cent per year and India's growth is expected to be close to 7.0 per cent per year, creating opportunities for Ontario exporters to increase sales to these countries.

Other provinces and territories are also important markets for Ontario's exports. Sales to other provinces have increased from 26 per cent of total exports in 2000 to 29 per cent in 2004. Higher energy prices dampen growth in central Canada but provide a boost to the energy-producing regions in the rest of Canada. Ontario exports of goods and services to the rest of Canada are expected to grow, driven by strong demand in Western Canada.

ONTARIO'S FORESTRY SECTOR INVESTMENTS

Ontario is providing $680 million to help the forestry sector compete in the current market and foster a new generation of jobs.

- $350 million in loan guarantees to stimulate new investments.
- $150 million to help lever investments in energy conservation, co-generation value-added manufacturing, improved fibre-efficiency and other areas.
- $28 million annually to fund maintenance of primary forest access roads and help reduce delivered wood costs.
- $10 million annually to enhance the forest resource inventory to help ensure the long-term sustainability of wood supplies.
- $1 million annually to establish an Ontario Wood Promotion Program.
- Ministry of Natural Resources is streamlining and expediting various approval processes with respect to forestry operations.
- Ontario Power Authority is developing incentives to support co-generation, energy efficiency and renewable energy.

Research and Innovation for Economic Growth

Innovation is important for enhancing productivity and economic competitiveness. Faced with rising competition and a challenging international environment, Ontario firms must continue to turn new ideas into new products and services.

Ontario provides a mix of direct funding and competitive tax incentives to encourage research to produce good ideas and to encourage commercialization and partnerships between industry and research institutions.

The McGuinty government's commitment to strengthening Ontario's economy through research and innovation has been reinforced through several major announcements:

- The 2004 Ontario Budget expanded the focus of the government's innovation programs to enhance commercialization in Ontario's public research institutions, including the $27 million Ontario Research and Commercialization Program (ORCP) and the $36 million Ontario Commercialization Investment Funds (OCIF) program.
- The 2005 Ontario Budget announced consolidation of major research programs totalling $730 million, including a $300 million investment in research infrastructure announced by Premier McGuinty in October 2004. To date, $101.2 million of this $300 million has been awarded through the Ontario Research Fund to 20 universities and research institutions for 360 innovation projects. This includes $53.2 million announced on December 16, 2004 and $48 million announced on October 28, 2005.
- Premier McGuinty announced on June 29, 2005 that he will lead a newly created Ministry of Research and Innovation to develop and drive a co-ordinated and comprehensive research and innovation agenda across all government ministries.
- The Premier described his vision for the new ministry and the creation of a new Ontario Research and Innovation Council at the opening of the Medical and Related Sciences (MaRS) centre on September 26, 2005.
- On October 7, 2005, the Premier announced a commitment of $3.3 million over three years to support the new Toronto Region Research Alliance (TRRA).
- The October 2005 Throne Speech also noted the government's partnerships with key industry sectors such as automotive manufacturing, agriculture and forestry to enhance their competitiveness through innovation and access to export markets.

Business and Financial Services

Based on employment, business and financial services are Ontario's two largest trade-based industry clusters, followed by the automotive industry, according to the Institute for Competitiveness and Prosperity. Together they also play a key supporting role in enabling investment, competitiveness and economic growth in other Ontario industry sectors.

- Ontario is the business head-office and financial services capital of Canada. According to the *National Post*, in 2004 Ontario accounted for about half of the top 500 head offices in Canada, with Toronto accounting for almost 80 per cent of the Ontario total. Within North America, Toronto is the third-largest financial centre, behind New York and Chicago, and was number one for financial-sector job creation over the past 10 years.

These sectors are facing growing competition from other jurisdictions in North America and globally. The continued growth of the business and financial services sectors hinges on three key competitive drivers: an efficient and effective business and financial regulatory and tax framework that helps attract business corporations and investors; the high level of professional skills and postsecondary education of its knowledge-based workers; and modern infrastructure that contributes to vibrant urban centres.

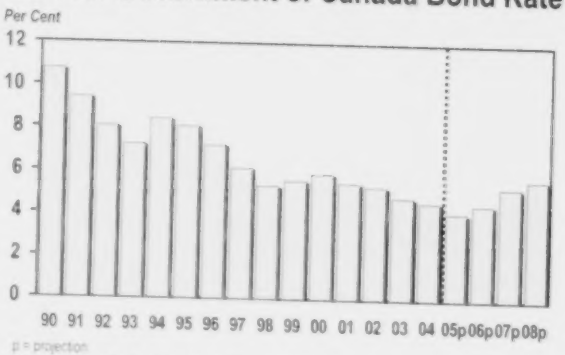
To support business competitiveness and Ontario's economic advantage, the Ontario Government:

- Is supporting skills development and postsecondary education, including $6.2 billion for universities, colleges, training and apprentices by 2009-10.
- Reaffirmed its commitment to making Canada's securities markets more competitive and more efficient by establishing a panel to design a more detailed proposal for a common securities regulator.
- Is following through on its 2004 Budget commitment to support a new generation of economic growth by introducing a bill to replace the *Mortgage Brokers Act* in 2005 and to introduce amendments to the *Credit Union and Caisses Populaires Act, 1994*.

INTEREST RATES AND INFLATION

Over the past two months, the Bank of Canada has increased its benchmark target for the overnight interest rate by a total of half a percentage point, to 3.0 per cent. The major factor pushing the Bank of Canada to raise interest rates is its perception that the Canadian economy is operating at close to full capacity. According to the Bank of Canada's quarterly *Business Outlook Survey*, the proportion of firms expecting inflation to exceed the Bank of Canada's two per cent target rose from 64 per cent in the spring survey to 87 per cent in the autumn. It is expected that the Bank of Canada will continue to increase interest rates over the next year to contain potential inflationary pressures and prevent the rise in energy prices from becoming embedded in higher inflation expectations.

10-Year Government of Canada Bond Rate



p = projection
Sources: Bank of Canada and Ontario Ministry of Finance

Canadian three-month treasury bill rates are expected to rise from 2.7 per cent in 2005 to 3.5 per cent in 2006 and average 4.2 per cent in 2007 and 2008. Ten-year Government of Canada bond yields are expected to increase modestly, rising from an average of 4.1 per cent in 2005 to 4.5 per cent in 2006, and an average of 5.5 per cent over the 2007 to 2008 period. This results from further tightening of monetary policy in conjunction with growing global demand for funds, including the need to finance the U.S. fiscal and current account deficits.

Since June 2004, the U.S. Federal Reserve Board has raised interest rates 11 times, bringing its key target for the federal funds rate to 3.75 per cent. Like the Bank of Canada, the Federal Reserve is concerned with the potential for higher energy costs to fuel a broader increase in other prices and to raise expectations of inflation. Short-term U.S. interest rates are currently 75 basis points above the equivalent rates in Canada. The Federal Reserve is expected to continue raising interest rates at a measured pace, implying the negative Canada-U.S. interest rate gap will persist.

Canadian Interest Rate Outlook (Annual Per Cent)

	2003	2004	2005p	2006p	2007p	2008p
3-month Treasury Bill Rate	2.9	2.2	2.7	3.5	4.0	4.3
10-year Government Bond Rate	4.8	4.6	4.1	4.5	5.3	5.7
Ontario CPI Inflation Rate	2.7	1.9	2.3	2.2	1.8	1.9

p = projection.

Sources: Bank of Canada, Statistics Canada and Ontario Ministry of Finance.

The key aim of the Bank of Canada's monetary policy is to keep core inflation at two per cent, the midpoint of its one to three per cent target range. The Bank's favoured measure of core inflation (the Consumer Price Index (CPI), excluding the eight most volatile items[3] and the effect of any tax changes on prices) has remained below the Bank's target rate of two per cent for 21 straight months. However, total CPI inflation in Canada rose to 3.4 per cent in September, reflecting, in large part, higher gasoline prices.

The Ontario CPI inflation rate is expected to average 2.3 per cent in 2005. Petroleum product prices have been the major contributor to inflation this year. So far this year, gasoline prices have increased 12.9 per cent and home heating fuel is up 24.2 per cent. The higher value of the Canadian dollar has lowered the cost of imported goods for consumers and businesses, helping offset upward pressure on inflation from rising energy prices. On a year-to-year basis, total Ontario CPI inflation in September was 3.3 per cent, or 1.7 per cent excluding energy. The 2006 inflation rate is projected to be 2.2 per cent. Over the 2007 to 2008 period, inflation is projected to average 1.9 per cent annually.

[3] The eight most volatile items include fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, inter-city transportation and tobacco products.

NORTHERN PROSPERITY

Ontario's northern region faces particular structural challenges that have resulted in slower employment growth over the past several years as well as a relatively high unemployment rate. The government is committed to helping Northern Ontario address these challenges and realize its economic potential.

The Ontario Government's initiatives to promote job creation and economic prosperity in Northern Ontario include:

- $680 million to help the forest sector invest in and foster a new generation of forest-sector jobs.
- Implementation and expansion of the Northern Ontario Prosperity Plan. The government is making progress on a range of initiatives under the plan, such as:
  - the Northern Ontario Grow Bonds pilot program, which has raised $13 million that will be used to provide financing for new and expanding small and medium-sized businesses in Northern Ontario;
  - the GO North Investor Program, which is working to make Northern Ontario more attractive to investment and promote innovation and growth in existing and new sectors; and
  - the 2005 Budget, which expanded the plan to include a $15 million government investment over three years to support geological mapping that will open up the mining potential of the Far North for investments such as the recently announced De Beers diamond mine.
- Annual contributions of $60 million to the Northern Ontario Heritage Fund Corporation (NOHFC) under its new mandate, which will focus on private-sector job creation, youth, emerging technology, energy conservation and community infrastructure.
- Over the next five years, $1.8 billion will be invested for the rehabilitation and expansion of northern highways under the Northern Ontario Highway Strategy.
- $215 million in low-cost loans, provided by the Ontario Strategic Infrastructure Financing Authority (OSIFA), to 39 northern communities as of September 25, 2005, to assist in renewing their local infrastructure.
- The Northern Ontario School of Medicine officially opened in September 2005. This new medical school will help to ease the doctor shortage in northern communities.
- Over the next five years, the government will be making substantial capital investments in Northern Ontario hospitals, including new expansion and service quality projects in North Bay, Sault Ste. Marie and Sudbury.
- A new approach to Aboriginal peoples, many of whom reside in Northern Ontario. The government is working on a number of initiatives to close the socioeconomic gap between Aboriginal peoples and other citizens of Ontario. This includes developing proposals to enable Aboriginal peoples to share fairly in the benefits of natural resource development.

PARTNERING WITH ONTARIO MUNICIPALITIES FOR STRONG COMMUNITIES

The government is committed to improving the quality of life for all Ontarians through the creation of strong communities and vibrant cities. Throughout the coming year, the Province will continue to work in partnership with Ontario municipalities to implement a number of its key commitments. These include the following:

- Delivering on the commitment to make two cents of the existing provincial gas tax available for public transit. Over the next five years, the total gas tax allocation across the province will be over $1 billion. Municipalities have already received $156 million to date.
- Providing $656 million through the new Ontario Municipal Partnership Funding (OMPF) in 2005 — $38 million or 6.1 per cent more than the Community Reinvestment Fund provided last year.
- Increasing the provincial share of public health funding from 50 per cent to 75 per cent of costs by 2007.
- Launching ReNew Ontario — a strategic, five-year infrastructure investment plan. Over the next five years, the government and its partners will invest more than $30 billion in public infrastructure in Ontario. This plan includes:
    - approximately $5 billion for health care projects, including 105 hospital projects;
    - more than $10 billion to improve elementary and secondary schools and renew postsecondary facilities;
    - about $11.4 billion to improve public transit, highways, borders and other transportation systems; and
    - $900 million to renew municipal infrastructure through the Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF).
- Providing low-cost, longer-term, fixed-rate loans for infrastructure through the Ontario Strategic Infrastructure Financing Authority (OSIFA). To date, OSIFA has committed to provide up to $2.1 billion in low-cost financing to more than 170 Ontario municipalities for 1,100 local infrastructure projects.
- Implementing a range of major initiatives that will improve quality of life by encouraging sustainable growth. These complementary initiatives include implementation of the *Places to Grow Act*, implementation of the Greenbelt Plan, introduction of Source Water Protection legislation and undertaking consultations on the second stage of Provincial Planning Reform.
- Consulting on Tax Increment Financing (TIF), to develop options for potential legislation that would encourage urban regeneration.
- Enhancing measures to support brownfield development by creating a "one-window" government access point through the Ministry of Municipal Affairs and Housing (MMAH), developing clear criteria for the removal of provincial Crown liens on brownfield properties, and simplifying some of the application requirements for the province's Brownfield Tax Incentive Program (BFTIP).
- Continued high levels of transit investment in partnership with other levels of government: $1 billion over 10 years for GO Transit expansion and renewal, $1 billion over five years for the Toronto Transit Commission and $600 million for the Ottawa O-Train.
- An enhanced Canada-Ontario Affordable Housing Program that will help create over 15,000 new units of affordable housing, including housing in remote communities and supportive housing for victims of domestic violence and for persons suffering from mental illness.
- Continuing to work closely with the Association of Municipalities of Ontario (AMO). In 2004, the Province enshrined in legislation a Memorandum of Understanding (MOU) with AMO and established a tripartite protocol that includes working with the federal government as well.

Ontario Investments in Agriculture

Farming is important to Ontario's economy. Ontario farmers — innovative and driven to succeed — face competitive challenges in the global marketplace.

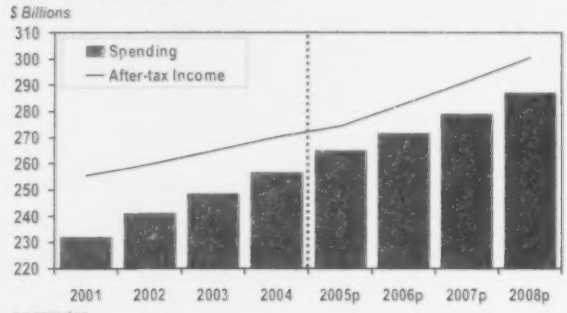
The government has undertaken a number of initiatives to help Ontario's agriculture sector:

- The $520 million Ontario Ethanol Growth Fund and the five per cent renewable fuel standard, to encourage expansion of ethanol manufacturing in Ontario.
- More than $170 million in support for grain and oilseed farmers.
- The $50 million Tobacco Community Transition Fund, including $35 million to assist tobacco growers wishing to exit the industry and $15 million to encourage economic diversification and innovation.
- Increased funding for the Nutrient Management Financial Assistance Program and streamlining of Ontario's risk-based approach to nutrient management.
- A new model to fund municipal drainage projects through the $6 million Agricultural Drainage Infrastructure Program.
- Up to $25 million over three years to assist meat processors in meeting new food safety regulations.
- Establishing a new Chair in Agricultural Research at the University of Guelph.
- Equitable property tax treatment for horse farms.

HOUSEHOLD SECTOR

Over the past few years, solid job creation, strong income gains and a low interest rate environment have resulted in healthy growth in household spending. Average wages and salaries per paid worker are projected to increase by 2.9 per cent this year, contributing to an estimated 4.2 per cent rise in total personal income, compared to 3.8 per cent in 2004. The growth forecast in employment, wages and incomes supports the outlook for increasing Personal Income Tax and Employer Health Tax revenues over the forecast period.

Ontario Real Consumer Spending and Real After-tax Income

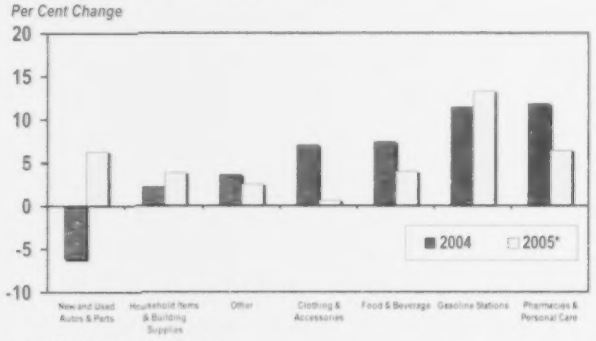


p = projection
Sources: Statistics Canada and Ontario Ministry of Finance

Real consumer spending on goods and services rose 3.7 per cent over the first half of 2005, compared to the same period in 2004. Real consumer spending is expected to rise by 3.2 per cent in 2005, matching the pace in 2004. Consumer spending is forecast to grow by 2.9 per cent per year over the 2006 through 2008 period. The growth in consumer spending can be expected to boost Retail Sales Tax revenues over the forecast period.

While total retail sales are up 5.1 per cent over the first eight months of 2005, gas-station sales are up 13.3 per cent, reflecting higher gasoline pump prices. The higher gasoline pump prices also have had a dampening effect on household spending on discretionary items such as apparel, restaurant meals and travel.

Retail Sales by Type of Store



* For the period January to August
Source: Statistics Canada

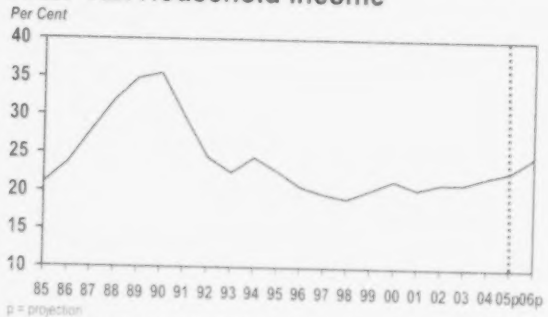
Ontario's housing market has remained strong, with housing starts projected to total 78,600 units in 2005. Over the past few years, starts have averaged 82,000 units, the strongest four-year pace of homebuilding activity since 1990. For 2006, starts are expected to ease further, reaching 73,500 units, and to average 75,800 units per year in 2007 and 2008. The projected pace of new home construction is in line with underlying demographic requirements.

According to private-sector forecasters, home resales are expected to decrease 0.5 per cent in 2005, following four consecutive years of record-breaking activity, and to decline a further 4.5 per cent in 2006. House price gains are expected to moderate. Private-sector forecasters expect average resale house prices to rise 7.6 per cent in 2005 to $263,800 and to rise 3.9 per cent in 2006 to $274,200. Rising incomes and low mortgage rates will help keep housing affordable. Mortgage payments for an average-priced home as a share of after-tax household income are projected to rise modestly, but to remain well below levels of the late 1980s.

Consumer spending on household-related items has performed well. Over the first eight months of 2005, sales of household items and building supplies, which include furniture, electronics, home centres and garden store sales, are up 3.8 per cent compared to a gain of 2.2 per cent for the previous year.

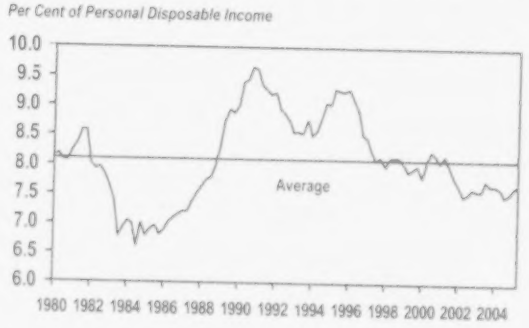
Consumer spending growth has outpaced income growth, leading to a drop in the savings rate. The savings rate was 1.1 per cent in the second quarter of 2005 — the lowest on record. The savings rate does not adequately reflect consumers' finances because it does not include certain sources of income, such as pensions and capital gains, and does not fully capture increases in personal wealth. Rising house values have boosted household wealth, contributing to the willingness and capacity of households to increase spending and debt levels. Despite record-high debt levels, household debt costs remain low by historical standards. Low interest rates and steadily rising personal disposable incomes have contributed to the healthy position of household finances. The ratio of Canadian household debt costs to personal disposable income was 7.7 per cent in the second quarter of 2005, compared to an average of 8.1 per cent since 1980.

Mortgage Payments as a Share of After-Tax Household Income



p = projection
Sources: Bank of Canada, Canadian Real Estate Association, Statistics Canada and Ontario Ministry of Finance

Canadian Household Debt Interest Costs



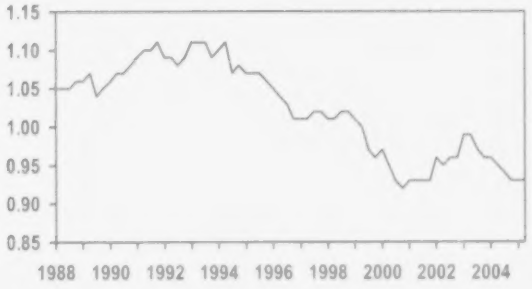
Sources: Finance Canada and Statistics Canada

BUSINESS INVESTMENT LEADS GROWTH

The outlook for business investment in plant and equipment remains robust over the forecast horizon. Diminishing spare capacity, rising profits, healthy balance sheets and lower equipment prices are stimulating strong investment spending. Currently, both the Canadian manufacturing industries and the total industrial sector are operating at a historically high 86.7 per cent rate of capacity utilization. The corporate debt-to-equity ratio has trended downward since the early 1990s, reflecting improved profit performance. Ontario profits are expected to grow by 5.2 per cent in 2005. Over the 2006 to 2008 period, profits are expected to increase at an annual average rate of 3.4 per cent, a slower rate than the overall economy. The Corporations Tax revenue outlook is quite prudent, given the historic volatility of corporate profits growth.

Business Balance Sheets Are Strong

Canadian Ratio of Debt-to-Equity



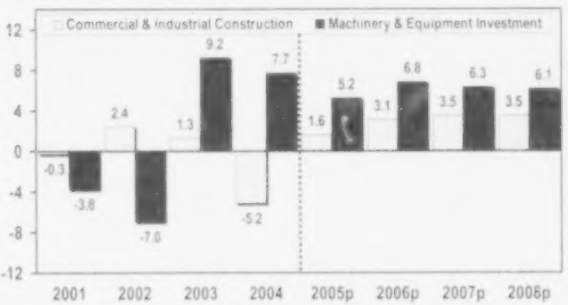
Source: Statistics Canada

With Ontario firms importing about 60 per cent of their capital equipment, the 38 per cent appreciation of the Canadian dollar since early 2002 has substantially lowered the Canadian-dollar cost of imported machinery and equipment. This is encouraging much-needed investment in productive capital and enhancing Ontario's long-term competitiveness.

Over the past two years, real business investment in machinery and equipment has led overall economic growth, climbing a healthy 7.7 per cent in 2004, following a 9.2 per cent advance in 2003. Growth in machinery and equipment expenditures is expected to be broad based in 2005, led by the manufacturing and mining sectors. Real business investment in machinery and equipment is expected to rise by 5.2 per cent in 2005. Machinery and equipment investment is forecast to increase by 6.8 per cent in 2006, and by an average 6.2 per cent per year over the 2007 to 2008 period. After declining by 5.2 per cent in 2004, non-residential investment outlays are

Real Business Investment

Per Cent Change



p = projection
Sources: Statistics Canada and Ontario Ministry of Finance

expected to advance 1.6 per cent in 2005, 3.1 per cent in 2006 and an average of 3.5 per cent annually over the 2007 to 2008 period.

Ontario's Automotive-Sector Investments

The Ontario Automotive Investment Strategy has been successful in attracting leading-edge investment. Agreements with General Motors, Ford, Toyota and Navistar have leveraged more than $4.5 billion worth of investment in Ontario. Toyota is investing $800 million to build a new plant in Woodstock, the first greenfield auto-assembly plant in Ontario in over a decade. These investments in new assembly, training and R&D will help to secure 19,200 jobs, create 1,800 jobs and also have a beneficial impact on auto-parts manufacturing.

The investments also include partnerships between General Motors and the University of Ontario Institute of Technology to open a new Automotive Centre of Excellence in Oshawa, and between Navistar and the University of Windsor to set up a new R&D centre.

Ontario's Electricity-Sector Investments

Substantial investments are underway to secure, expand and diversify electrical generating capacity in Ontario as well as replace the remaining coal-fired plants. The government has set the wheels in motion to add nearly 9,000 megawatts (MW) of diversified generating capacity over the near and medium terms:

- The government has already awarded contracts to add 2,350 MW of renewable and clean energy supply, representing total investments of $2.0 billion.
- The Ontario Power Authority (OPA) recently signed an agreement under which Bruce Power has agreed to invest $4.25 billion to refurbish and restart Bruce A Units 1 and 2, adding 1,500 MW of capacity in Ontario, as well as refurbish Bruce A Unit 3 and replace the steam generators in Unit 4.
- Ontario Power Generation (OPG) has begun work on the Niagara Tunnel project, which will increase output of the existing Sir Adam Beck Generating Complex by about 1.6 TWh per year, at a cost of about $985 million. OPG is also returning Unit 1 of Pickering A to service (515 MW) and converting the 310 MW Thunder Bay Generating Station to use natural gas.
- The government has issued two additional requests for proposals for up to 1,200 MW of renewable energy, and the OPA has announced future initiatives totalling almost 3,000 MW.

To ensure power is delivered where it is needed, Hydro One, the company that owns the bulk of Ontario's transmission system, is currently investing in upgrades to meet growing demand and to connect new generation projects to the grid. Over the next few years, Hydro One is planning to invest $400 million per year in transmission upgrades. Additional transmission investments may be required as other electricity supply opportunities with Ontario's neighbours are explored.

Economic Outlook Comparison with G-7 Countries

Despite the challenges facing Ontario, private-sector forecasts expect the province will remain among the fastest-growing industrial jurisdictions over the 2005 to 2008 period.

According to private-sector forecasts, over the 2005 to 2006 period, real GDP growth in Ontario is projected to average 2.6 per cent a year, trailing Canada as a whole and the United States. However, during the 2007 to 2008 period, private-sector forecasters believe Ontario's prospects are brighter and expect the pace of Ontario real GDP growth to improve to an average of 3.3 per cent a year, ahead of all G-7 countries.

Ontario and G-7 Economic Outlook, 2005 to 2008
Real GDP Growth (Per Cent)

	2005	2006	2007	2008
Ontario	2.5	2.6	3.2	3.3
Canada	2.8	3.0	3.0	2.9
United States	3.5	3.3	3.2	3.2
France	1.5	1.8	2.1	2.1
United Kingdom	1.8	2.2	2.2	2.2
Germany	0.8	1.2	1.4	1.6
Italy	0.0	1.1	1.4	1.6
Japan	2.1	1.7	1.7	1.3

Sources: Consensus Forecasts (October 2005) and Ontario Ministry of Finance Survey of Forecasts (October 2005).

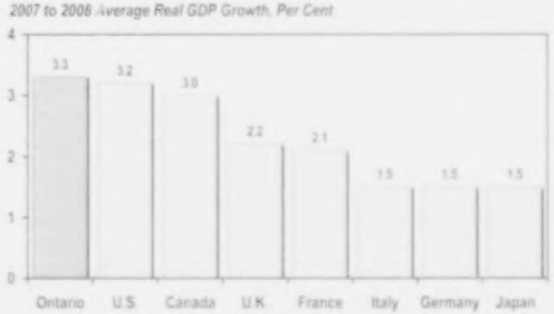
Ontario and G-7 Economic Growth

2005 to 2006 Average Real GDP Growth, Per Cent

Sources: Consensus Forecasts (October 2005) and Ontario Ministry of Finance Survey of Forecasts (October 2005).

Ontario and G-7 Economic Growth

2007 to 2008 Average Real GDP Growth, Per Cent



Sources: Consensus Forecasts (October 2005) and Ontario Ministry of Finance Survey of Forecasts (October 2005).

Details of the Ontario Economic Outlook

This table shows the key details of the updated economic outlook for 2005 to 2008.

The Ontario Economy, 2003 to 2008 (Per Cent Change)

	Actual		Projected			
	2003	2004	2005	2006	2007	2008
Real Gross Domestic Product	1.7	2.8	2.2	2.6	3.2	3.3
Personal consumption	3.2	3.2	3.2	2.5	2.9	3.2
Residential construction	3.2	4.1	0.8	-1.3	2.2	2.5
Non-residential construction	1.3	-5.2	1.6	3.1	3.5	3.5
Machinery and equipment	9.2	7.7	5.2	6.8	6.3	6.1
Exports	-0.3	5.3	1.1	2.0	3.3	3.6
Imports	4.1	6.9	2.8	2.9	3.4	3.7
Nominal Gross Domestic Product	3.3	4.7	4.1	4.5	4.8	5.0
Other Economic Indicators						
Retail sales	3.4	3.2	5.0	3.6	4.0	4.4
Housing starts (000s)	85.2	85.1	78.6	73.5	74.9	76.6
Personal income	3.0	3.8	4.2	4.2	4.7	4.7
Wages and salaries*	3.8	3.9	4.1	4.3	4.8	4.9
Corporate profits	-2.9	14.7	5.2	1.9	4.1	4.3
Consumer Price Index	2.7	1.9	2.3	2.2	1.8	1.9
Labour Market						
Employment	2.9	1.7	1.2	1.4	1.8	1.9
Job creation (000s)	173	108	77	90	117	125
Unemployment rate (per cent)	7.0	6.8	6.7	6.5	6.3	6.1

*Includes supplementary labour income.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Ontario Ministry of Finance.

SECTION II: ONTARIO REVENUE OUTLOOK

The revenue outlook reflects the economic outlook and associated risks. Since the 2005 Ontario Budget, the economic growth outlook for 2005 has strengthened, while the outlook for 2006 and 2007 has weakened. In addition, new information on revenues from processing 2004 Personal Income Tax and Corporations Tax returns led to an increase in the 2004-05 Personal Income Tax and Corporations Tax estimates, which boosts the base upon which growth for these taxes is projected for 2005-06 and beyond.

A cautious approach has been adopted for developing the revenue outlook for 2005-06 and beyond. While economic growth in calendar-year 2005 is stronger than projected in the 2005 Budget, it is forecast to weaken towards the end of 2005 and into calendar-year 2006. As such, the 2005-06 prudent outlook assumes no further revenue increase based on economic growth. In addition, given the historic volatility of Corporations Tax, the outlook is cautious with respect to the proportion of the 2004 tax returns-based increase in Corporations Tax that is carried forward in the revenue outlook.

The medium-term revenue outlook for 2006-07 and beyond will be updated in the next Budget. At present, higher revenues from processing 2004 Personal Income Tax and Corporations Tax returns and stronger 2005 economic growth must be balanced against slower expected near-term economic growth and the risks arising from higher oil prices, interest rates and the Canadian dollar.

2005-06 Revenue Outlook

Total revenue in 2005-06 is currently projected to be $82,132 million, an increase of $445 million from the 2005-06 Budget Plan.

Summary of 2005-06 In-Year Revenue Changes Since Budget ($ Millions)

Taxation Revenue		
Personal Income Tax	225	
Corporations Tax	240	
Gasoline Tax	-20	
		445
Total Revenue Changes		**445**

The 2005-06 Personal Income Tax and Corporations Tax revenue outlooks have been increased by $225 million and $240 million respectively, due to higher revenues from processing 2004 Personal Income Tax and Corporations Tax returns.

The Gasoline Tax revenue forecast for 2005-06 has been lowered by $20 million, due to an expected decrease in the volume of gasoline purchased as a result of higher pump prices. Ontario's Gasoline Tax is a volume-based tax. Unlike the federal government and some other provinces, Ontario sales tax does not apply to gasoline pump purchases, and therefore sales tax revenues also do not benefit from higher pump prices.

MEDIUM-TERM REVENUE OUTLOOK

MEDIUM-TERM FISCAL OUTLOOK ($ BILLIONS)

	2005-06	2006-07	2007-08	2008-09
Revenue				
Taxation Revenue	58.2	60.6	63.4	66.7
Government of Canada	13.2	12.9	13.6	14.0
Income from Government Enterprises	4.0	4.2	4.1	4.1
Other Non-Tax Revenue	6.8	7.0	7.3	7.5
Total Revenue	**82.1**	**84.8**	**88.5**	**92.2**

Note: Numbers may not add due to rounding.

The medium-term outlook for 2006-07 to 2008-09 is unchanged from the 2005 Ontario Budget. Higher revenues from processing 2004 Personal Income Tax and Corporations Tax returns and stronger 2005 economic growth might be expected to boost the outlook over the medium term. Weaker growth in 2006 and 2007 and risks related to higher oil prices, interest rates and the Canadian dollar, however, warrant maintaining the outlook unchanged at this time.

Total revenue in 2008-09 is projected to be $92.2 billion, an increase of $10.1 billion over the revised 2005-06 forecast of $82.1 billion. This represents an average annual growth rate of 3.9 per cent between 2005-06 and 2008-09.

Taxation revenue is forecast to increase by $8.5 billion between 2005-06 and 2008-09, with annual growth averaging 4.6 per cent. This is consistent with nominal GDP average annual growth of 4.8 per cent from 2005 to 2008.

Federal Payments to Ontario are forecast to increase by $0.8 billion between 2005-06 and 2008-09, with annual growth averaging two per cent. The forecast is based on current federal-provincial agreements, funding commitments and formulas for major health and social transfers. The decline in revenues in 2006-07 compared to 2005-06 is primarily due to the final transfer in 2005-06 from past federal Canada Health and Social Transfer Supplements and Medical Equipment Trust Funds.

Income from Government Enterprises is forecast to remain fairly flat over the medium term. The revenue increase in 2006-07 is mainly due to projected increases in Ontario Power Generation Inc. (OPG) net income arising from the government's electricity reforms, including fair and stable prices for electricity provided by OPG. The decline in revenue in 2007-08 is a result of a decline in OPG net income, which reflects the government's decision to close coal-fired generating plants. Liquor Control Board of

Ontario net income is forecast to rise over the medium term based on increasing sales. Ontario Lottery and Gaming Corporation net income is expected to remain flat over the forecast period due to continued competitive pressures on border casinos and the expected continued strength of the Canadian dollar against the U.S. dollar.

Other Non-Tax revenue is forecast to increase by $0.7 billion between 2005-06 and 2008-09, with annual growth averaging 3.5 per cent. The increase in Other Non-Tax revenue is due primarily to projected increases in the volume of vehicle and driver licence registrations, sales of electricity purchased from non-utility generators and reimbursements in respect of ongoing increases in Provincial expenditures.

Section III: Potential Risks to Provincial Revenues

A growing economy with rising incomes, corporate profits and consumer spending generates higher revenues to pay for public services. Taxation revenues comprise the largest category of Provincial revenue. Of the total $82.1 billion in revenues forecast for 2005-06, $58.2 billion or about 71 per cent is expected to come from taxation revenues. Three revenue sources within this category — Personal Income Tax, Retail Sales Tax and Corporations Tax — account for about 55 per cent of total revenues. Inherent in any multi-year forecast is uncertainty about the future, making cautious and prudent planning a critical element of any deficit-reduction plan.

This section highlights some of the key sensitivities and risks to the fiscal plan that could follow from unexpected changes in economic conditions. It should be cautioned that these estimates, while useful, are only guidelines and can vary depending on the composition and interaction of the potential risks.

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2005-06 Assumption	2005-06 Sensitivities
Total Revenues		
– Real GDP	2.2 per cent growth in 2005	$615 million revenue change for each percentage point change in real GDP growth. Can vary significantly depending on composition and source of changes in GDP growth.
– GDP Deflator	1.9 per cent increase in 2005	
– Canadian Interest Rates	2.7 per cent three-month treasury bill rate in 2005	Between $60 million and $310 million revenue change in the opposite direction for each percentage point change in interest rates.
– U.S. Real GDP	3.5 per cent growth in 2005	Between $185 million and $430 million revenue change for each percentage point change in U.S. real GDP growth.
– Canadian Dollar Exchange Rate	82.4 cents US in 2005	Between $25 million and $110 million revenue change in the opposite direction for each one cent change in the Canadian dollar exchange rate.
Total Taxation Revenues		
– Revenue Base[1]	3.3 per cent growth in 2005-06	$550 million revenue change for each percentage point change in nominal GDP growth. Can vary significantly depending on composition and source of changes in GDP growth.
– Nominal GDP	4.1 per cent growth in 2005	
Personal Income Tax Revenues		
– Revenue Base	5.1 per cent growth in 2005-06	
Key Economic Assumptions		
– Wages and Salaries	4.1 per cent growth in 2005	$220 million revenue change for each percentage point change in wages and salaries growth.
– Employment	1.2 per cent growth in 2005	
– Unincorporated Business Income	4.0 per cent growth in 2005	
Key Revenue Assumptions		
– Net Capital Gains Income	3.9 per cent growth in 2005	$3 million revenue change for each percentage point change in net capital gains income growth.
– RRSP Deductions	4.4 per cent growth in 2005	$14 million revenue change in the opposite direction for each percentage point change in RRSP deductions growth.

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2005-06 Assumption	2005-06 Sensitivities
– 2004 Tax-Year Assessments[2]	$18.9 billion	$380 million revenue change for each percentage point change in 2004 Personal Income Tax assessments.[4]
Retail Sales Tax Revenues		
– Revenue Base	3.9 per cent growth in 2005-06	
Includes:		
– Taxable Household Spending	3.5 per cent growth in 2005-06	
– Other Taxable Spending	4.4 per cent growth in 2005-06	
Key Economic Assumptions		
– Retail Sales	5.0 per cent growth in 2005	
– Nominal Consumption Expenditure	5.2 per cent growth in 2005	$90 million revenue change for each percentage point change in nominal consumption expenditure growth.
Corporations Tax Revenues		
– Revenue Base	0.3 per cent decline in 2005-06	
– Corporate Profits	5.2 per cent growth in 2005	$65 million revenue change for each percentage point change in pre-tax corporate profit growth.
– 2004-05 Tax Assessment Refunds[3]	$1.1 billion payable in 2005-06	$22 million revenue change in the opposite direction for each percentage point change in 2004-05 refunds.[4]
– 2004-05 Tax Payments Upon Filing	$0.6 billion receivable in 2005-06	$12 million revenue change for each percentage point change in 2004-05 payments upon filing or assessment payments.[4]
– 2004-05 Tax Assessment Payments	$0.6 billion receivable in 2005-06	
Employer Health Tax Revenues		
– Revenue Base	3.0 per cent growth in 2005-06	
– Wages and Salaries	4.1 per cent growth in 2005	$30 million revenue change for each percentage point change in wages and salaries growth.
Ontario Health Premium Revenues		
– Revenue Base	4.6 per cent growth in 2005-06	

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2005-06 Assumption	2005-06 Sensitivities
– Personal Income	4.2 per cent growth in 2005	$20 million revenue change for each percentage point change in personal income growth.
Gasoline Tax Revenues		
– Revenue Base	0.4 per cent growth in 2005-06	
– Gasoline Pump Prices	93.1 cents per litre in 2005	$5 million revenue change in the opposite direction for each cent per litre change in gasoline pump prices.
Fuel Tax Revenues		
– Revenue Base	1.0 per cent growth in 2005-06	
– Real GDP	2.2 per cent growth in 2005	$10 million revenue change for each percentage point change in real GDP growth.
Land Transfer Tax Revenues		
– Revenue Base	0.8 per cent growth in 2005-06	
– Housing Resales	0.5 per cent decrease in 2005	$10 million revenue change for each percentage point change in both the number and prices of housing resales.
– Resale Prices	7.6 per cent growth in 2005	

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2005-06 Assumption	2005-06 Sensitivities
Health and Social Transfers		
– Canada-wide Revenue Base	$27.2 billion in 2005-06	
– Ontario Revenue Share	37.3 per cent in 2005-06	
– Ontario Population Share	38.9 per cent in 2005-06	$40 million revenue change for each tenth of a percentage point change in population share.
– Ontario Basic Federal PIT Share	44.3 per cent in 2005-06	$10 million revenue change in the opposite direction for each tenth of a percentage point change in Basic Federal Personal Income Tax base share.

1. Revenue base is revenue excluding the impact of measures, adjustments for past Public Accounts estimate variances and other one-time factors.
2. Ontario 2004 Personal Income Tax (PIT) is a forecast estimate because 2004 tax returns are currently being assessed by the Canada Revenue Agency.
3. Corporations Tax refunds arising during 2004-05 are still an estimate because tax returns for corporate fiscal years ending in Ontario's 2004-05 fiscal year are still being assessed by the Tax Revenue Division of the Ontario Ministry of Finance.
4. Now that 2004-05 Public Accounts of Ontario have been finalized, any change in 2004 PIT assessments or 2004-05 Corporations Tax revenues will have a dual effect on 2005-06 revenues through: a) a change in the revenue base upon which this year's growth is applied, and b) a revenue adjustment applied against the current year in respect of any variance from the estimate included in the 2004-05 Public Accounts.

ANNEX II

ONTARIO'S MEDIUM-TERM FISCAL PLAN

INTRODUCTION

A key priority of the government is restoring the financial health of the Province while ensuring that key investments are being made in the areas of health care, education and skills to support a new generation of economic growth and prosperity in Ontario. These investments reflect the priorities of the government and are intended to achieve the results Ontarians want, including shorter wait times, smaller elementary class sizes, improved student achievement and modern, reliable and efficient infrastructure. This is being accomplished while continuing to address the structural deficit that this government inherited.

The government has made significant progress in restoring the financial health of the Province of Ontario. The 2005 Ontario Budget outlined a fiscal plan to balance the budget over the medium term. The government's plan is on track. The recently released 2004-05 Public Accounts reported that the Province's deficit had been reduced to $1.6 billion in 2004-05. The 2005-06 deficit is currently forecast at $2.4 billion, an in-year improvement of $427 million, exceeding the deficit target expectations set out in the 2005 Budget of $2.8 billion. The 2005-06 fiscal outlook includes a $1.0 billion reserve, which is designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. If the reserve is not required this year, the deficit is projected to be $1.4 billion.

Notwithstanding the Province's strong fiscal performance in 2004-05 and the improved fiscal outlook for 2005-06, the fiscal outlook for 2006-07 through to 2008-09 remains unchanged from the 2005 Budget. Higher revenue in 2005-06 and stronger economic growth earlier this year must be balanced against the potential medium-term impact of slower economic growth and continued uncertainty arising from higher oil prices, interest rates, the U.S. economy and the Canadian dollar. Consistent with the medium-term fiscal plan outlined in the 2005 Budget, the 2006-07 deficit is projected at $2.4 billion, falling to $1.5 billion in 2007-08 and eliminated in 2008-09. If the reserve is not required in 2006-07, the deficit would fall to $0.9 billion. The deficit would be eliminated in 2007-08 if the reserve is not required in that year.

This annex provides an overview of the following:

- **Section I:** Ontario's Medium-Term Fiscal Plan and Outlook;
- **Section II:** 2005-06 Second-Quarter Fiscal Update; and
- **Section III:** Potential Risks, Cost Drivers and Contingent Liabilities.

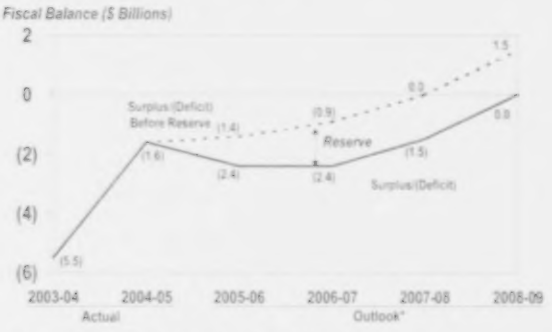
Additional information on Ontario's finances can be found in Annex V, *Fiscal Tables and Graphs*.

SECTION I: ONTARIO'S MEDIUM-TERM FISCAL PLAN AND OUTLOOK

ONTARIO'S FISCAL PLAN

In 2000-01, program spending began to grow significantly faster than taxation revenue, gradually creating the conditions for a structural deficit. The government's plan to eliminate the deficit will be achieved by transforming and modernizing government, and by holding program spending growth to less than the rate of growth in taxation revenue over the medium term.

Ontario's Fiscal Outlook



* Second-quarter fiscal forecast as at September 30, 2005
Source: Ontario Ministry of Finance

The Province's medium-term fiscal plan, as outlined in the 2005 Budget, is to eliminate the deficit no later than 2008-09. A balanced budget will be achieved one year earlier, if the reserve is not required in 2007-08.

Key Elements of the Fiscal Plan

The key elements of the government's fiscal plan to eliminate the deficit in a responsible way are as follows:

- A sustainable health care system that delivers high-quality, results-focused and patient-centred health care.
- Finding the remaining $343 million of the $750 million program review savings target for 2007-08, of which $407 million has been identified.
- Ensuring a sustainable revenue base to support the programs and services people value.
- Maintaining cautious and prudent fiscal planning, including an annual reserve.
- Making disciplined decisions that hold the line on spending.

MEDIUM-TERM FISCAL OUTLOOK

Key Changes Since the 2005 Ontario Budget

The government's medium-term fiscal outlook, outlined in the 2005 Budget, has been updated to reflect revenue changes in 2005-06 that have materialized since the Budget (as outlined in Annex I, *Ontario's Economic and Revenue Outlook*), spending changes approved during the first two quarters of 2005-06 and updates to the Province's interest on debt forecast.

The interim deficit projection of $3.0 billion for 2004-05 reported in the 2005 Budget has since been confirmed by the Auditor General in the Public Accounts at $1.6 billion, due to a $0.7 billion increase in revenue and $0.7 billion in lower-than-expected spending. Similarly, the fiscal outlook for 2005-06 is expected to outperform on the 2005 Budget deficit projection of $2.8 billion due to higher revenue this year. The 2005-06 deficit is currently projected at $2.4 billion, a $0.4 billion improvement from the 2005 Budget projection.

The following table provides an overview of the key changes to the medium-term fiscal outlook since the release of the 2005 Budget.

IMPACT OF KEY CHANGES TO THE MEDIUM-TERM DEFICIT TARGETS ($ BILLIONS)

	Outlook*			
	2005-06	2006-07	2007-08	2008-09
Surplus/(Deficit) as per 2005 Budget	**(2.8)**	**(2.4)**	**(1.5)**	**0.0**
Key Revenue Changes Since 2005 Budget:				
2004 Tax Returns and Lower Gasoline Tax Revenues	0.4	–	–	–
Total Revenue Changes	**0.4**	**–**	**–**	**–**
Key Expense Changes Since 2005 Budget:				
Obligations Related to Retirement Benefits	0.2	–	–	–
Forest Sector Strategy Investments	–	0.1	0.1	–**
Interest on Debt Savings	(0.2)	(0.1)	(0.1)	–
Total Expense Changes	**–**	**–**	**–**	**–**
Change in Reserve	–	–	–	–
Total Changes Since 2005 Budget	**0.4**	**–**	**–**	**–**
Surplus/(Deficit)	**(2.4)**	**(2.4)**	**(1.5)**	**0.0**
Reserve	**1.0**	**1.5**	**1.5**	**1.5**
Surplus/(Deficit) If Reserve Not Required	**(1.4)**	**(0.9)**	**0.0**	**1.5**

*Second-quarter fiscal forecast as at September 30, 2005.
** Forest Sector Strategy investments total $39 million in 2008-09.
Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

Taking into account key revenue and expenses changes since the 2005 Budget, the fiscal outlook for 2005-06 is expected to outperform on the deficit target outlined in the 2005 Budget. Notwithstanding the Province's strong fiscal performance in 2004-05, and the improved outlook for 2005-06, the fiscal outlook between 2006-07 and 2008-09 remains unchanged from the 2005 Budget deficit targets of $2.4 billion in 2006-07, falling to $1.5 billion in 2007-08, and eliminated in 2008-09. If the reserve is not required in 2006-07, the deficit would fall to $0.9 billion. The deficit would be eliminated in 2007-08 if the reserve is not required in that year.

Total revenue is higher in 2005-06 than originally projected in the 2005 Budget. However, this revenue increase and stronger economic growth earlier this year must be balanced against the potential medium-term impact of slower economic growth and continued uncertainty arising from higher oil prices, interest rates, the U.S. economy and the Canadian dollar. As a result, the medium-term revenue outlook for 2006-07 and beyond is unchanged from the 2005 Budget Plan and will be updated as necessary in the 2006 Budget.

Major revenue changes in the medium-term fiscal plan since the 2005 Budget include:

- **Personal Income Tax and Corporations Tax** revenue outlooks in 2005-06 have been increased by $225 million and $240 million respectively, due to higher revenues from processing 2004 Personal Income Tax and Corporations Tax returns. The Gasoline Tax revenue forecast for 2005-06 has been lowered by $20 million, due to an expected decrease in the volume of gasoline purchased as a result of higher pump prices. Ontario's Gasoline Tax is a volume-based tax. Unlike the federal government and some other provinces, Ontario sales tax does not apply to pump purchases, and therefore sales tax revenues do not benefit from higher pump prices. The total revenue outlook from 2006-07 through to 2008-09 is unchanged.

Net total expense over the medium term remains on track with the 2005 Budget forecast. Major changes in total expenses from the 2005 Budget include:

- **An increase in expense** of $0.2 billion in 2005-06 for benefits payable in future years, as a result of changes to various retiree supplemental health benefits.
- **Additional investments** of $0.1 billion in 2006-07 and 2007-08 in support of the Province's $680 million Forest Sector Strategy.
- **Lower projected interest on debt expense** of $0.2 billion in 2005-06, and $0.1 billion in 2006-07 and 2007-08.

The reserve remains unchanged at $1.0 billion in 2005-06 and $1.5 billion in 2006-07, 2007-08 and 2008-09.

Medium-Term Fiscal Plan and Outlook

Consistent with the medium-term fiscal plan outlined in the 2005 Budget, the 2006-07 deficit is projected at $2.4 billion, falling to $1.5 billion in 2007-08, and eliminated in 2008-09. If the reserve is not required in 2006-07, the deficit would fall to $0.9 billion. The deficit would be eliminated in 2007-08 if the reserve is not required in that year.

The following table outlines the current medium-term fiscal plan and outlook for the Province, including details of key revenue sources and planned spending for key sectors through to 2008-09.

Medium-Term Fiscal Plan and Outlook ($ Billions)

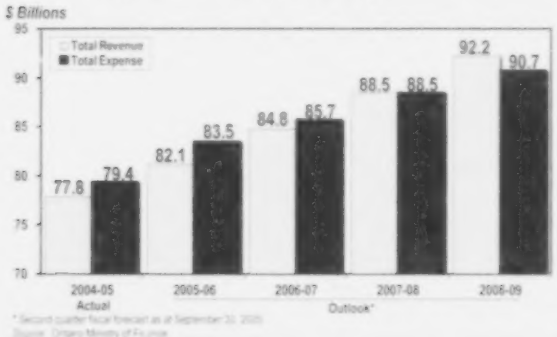
	Actual	Outlook*			
	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue					
Taxation Revenue	56.0	58.2	60.6	63.4	66.7
Government of Canada	11.9	13.2	12.9	13.6	14.0
Income from Government Enterprises	3.6	4.0	4.2	4.1	4.1
Other Non-Tax Revenue	6.4	6.8	7.0	7.3	7.5
Total Revenue	**77.8**	**82.1**	**84.8**	**88.5**	**92.2**
Expense					
Programs					
Health Sector	31.0	33.0	34.6	36.0	37.4
Education (excludes Teachers' Pension Plan)	10.6	11.3	11.7	12.2	12.5
Training, Colleges and Universities	4.2	4.7	5.0	5.3	5.4
Children's and Social Services Sector	9.2	9.8	10.0	10.2	10.3
Other Programs	12.1	12.5	12.0	12.4	12.4
Total Programs	**67.0**	**71.3**	**73.4**	**76.0**	**77.9**
Capital	3.0	2.7	2.5	2.1	2.1
Interest on Debt	9.4	9.6	9.9	10.3	10.7
Total Expense	**79.4**	**83.5**	**85.7**	**88.5**	**90.7**
Surplus/(Deficit) Before Reserve	**(1.6)**	**(1.4)**	**(0.9)**	**0.0**	**1.5**
Reserve	**–**	**1.0**	**1.5**	**1.5**	**1.5**
Surplus/(Deficit)	**(1.6)**	**(2.4)**	**(2.4)**	**(1.5)**	**0.0**

* Second-quarter fiscal forecast as at September 30, 2005.
Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

Revenue

Total revenue is currently forecast to increase by $4.3 billion or 5.5 per cent in 2005-06. Between 2005-06 and 2008-09, total revenue is projected to grow at an average annual rate of 3.9 per cent, from $82.1 billion in 2005-06 to $92.2 billion in 2008-09. The medium-term revenue outlook for 2006-07 and beyond is unchanged from the 2005 Budget, and will be updated in the next Budget. Higher revenues from processing 2004 Personal Income Tax and Corporations Tax returns and stronger 2005 economic growth must be balanced against slower-than-expected 2006 economic growth arising from higher oil prices and the higher Canadian dollar. Details on the medium-term revenue outlook are provided in Annex I, *Ontario's Economic and Revenue Outlook*.

Medium-Term Total Revenue and Expense Outlook (Excludes Reserve)



* Second quarter fiscal forecast as at September 30, 2005.
Source: Ontario Ministry of Finance.

Expense

Over the medium term, total expense is expected to rise from $83.5 billion this year to $90.7 billion in 2008-09, an increase of $7.2 billion. Annual growth in total expense will average 2.8 per cent over this period, down from 5.2 per cent projected for 2005-06.

In order to address the structural deficit and ensure fiscal sustainability, program spending growth over the medium term will be held to a rate below the rate of growth in taxation revenue. Current medium-term fiscal projections indicate that program spending will grow by 3.0 per cent on average each year between 2005-06 and 2008-09, much lower than the 4.6 per cent average annual growth in taxation revenue.

- **Health sector** operating spending will grow by $2.0 billion in 2005-06. Between 2005-06 and 2008-09, health operating spending will increase by a total of $4.4 billion. In keeping with the government's change strategy, this funding will focus on promoting wellness, providing greater access to primary and community care, and reducing wait times for MRI/CT scans, cancer care, cataract and cardiac procedures, and hip and knee replacements.
- **Education** spending will grow by $0.8 billion in 2005-06 and by $1.2 billion between 2005-06 and 2008-09, reflecting the government's commitment to stabilize Ontario's education system, reduce elementary class sizes and improve student achievement.

- **Training, Colleges and Universities** will receive $4.7 billion in 2005-06, growing to $5.4 billion by 2008-09, to implement the Reaching Higher plan, which will increase access to quality postsecondary education and training. Under the Reaching Higher plan, $6.2 billion in cumulative new investments will be spent on postsecondary education and training by 2009-10.
- **Children's and Social Services sector** will receive an additional $0.6 billion in 2005-06, with a total operating budget growing to $10.3 billion by 2008-09, mainly to implement Best Start, which is helping Ontario children arrive at school ready to learn.
- **Other Programs** spending will be maintained at approximately the 2005-06 funding level of $12.5 billion over the medium term.

Capital expense will be $2.7 billion in 2005-06, $2.5 billion in 2006-07 and $2.1 billion in 2007-08 and 2008-09. This level of capital expense, along with Provincial gas tax revenue provided to municipalities, operating grants for infrastructure renewal and expansion, cost-sharing by partners and the value of projects that will be paid for over their useful lives, will support the government's five-year, $30 billion ReNew Ontario infrastructure investment plan. Planned levels of capital investment may be supplemented from the proceeds of strategic asset management initiatives.

Interest on debt costs are forecast to grow by $1.1 billion between 2005-06 and 2008-09, reflecting the government's deficit-reduction targets and interest rates that are forecast to increase from historically low levels. In 2005-06, interest on debt costs will amount to roughly 12 per cent of total Provincial revenue and remain there throughout the medium term.

Fiscal Prudence

In addition to applying a disciplined approach to balancing strategic investments in key priority areas with a plan to eliminate the deficit, the government's medium-term fiscal plan also includes prudence in recognition of the risks inherent in any fiscal and economic forecast.

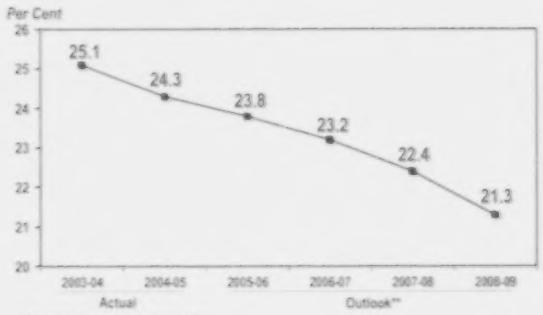
The government's medium-term fiscal plan includes reserves of $1.5 billion in 2006-07 and beyond to protect against unforeseen and adverse changes in the economic and fiscal outlook. These reserves are $0.5 billion higher than the $1.0 billion reserve included in 2005-06 to better reflect the risks and uncertain nature of medium-term fiscal projections. These reserves are over and above the prudence built into the economic outlook on which the revenue projections for the Province are based.

Consistent with the principles of increased fiscal transparency and accountability, the government provides quarterly fiscal and economic updates using the best available information. Given the external forces affecting the Province's economic and fiscal performance, there will be changes in revenues and expenses throughout the year as new information becomes available and the government responds to key events affecting the people of Ontario.

Maintaining a Prudent Debt-to-GDP Ratio

Another key component of the government's medium-term fiscal plan is the commitment to maintain a prudent level of Provincial debt (defined as accumulated deficit) relative to the size of Ontario's economy as measured by nominal gross domestic product (GDP). Ongoing debt accumulation can significantly limit the extent to which vital public services can be funded, as increasing debt charges "crowd out" funds available for spending on government priorities. Responsible fiscal management, therefore, needs to be long term and intergenerational in focus to ensure that future generations are not burdened with the cost of current overconsumption or inefficient delivery of government services.

Projected Debt-to-GDP Ratio*



* Debt is defined as accumulated deficit.
** Second-quarter fiscal forecast as at September 30, 2005.
Source: Ontario Ministry of Finance

Consistent with the medium-term fiscal outlook, the Province's debt-to-GDP ratio is projected to decline from 25.1 per cent in 2003-04 to 23.8 per cent this year and 21.3 per cent by 2008-09. By achieving the 2008-09 target, the government will have reduced the Province's debt-to-GDP ratio to its lowest level in 17 years.

SECTION II: 2005-06 SECOND-QUARTER FISCAL UPDATE

2005-06 FISCAL SUMMARY

The 2005 Budget Plan projected a deficit of $2,796 million for 2005-06. As at September 30, 2005, a deficit of $2,369 million is projected for 2005-06, an in-year improvement of $427 million from the deficit projected in the 2005 Budget. Additional information on Ontario's finances can be found in Annex V, *Fiscal Tables and Graphs*.

2005-06 FISCAL OUTLOOK ($ MILLIONS)

	Budget Plan 2005-06	Outlook* 2005-06	In-Year Change
Revenue	**81,687**	**82,132**	**445**
Expense			
Programs	71,014	71,257	243
Capital	2,673	2,673	–
Interest on Debt	9,796	9,571	(225)
Total Expense	**83,483**	**83,501**	**18**
Surplus / (Deficit) Before Reserve	**(1,796)**	**(1,369)**	**427**
Reserve	1,000	1,000	–
Surplus / (Deficit)	**(2,796)**	**(2,369)**	**427**

* Second-quarter fiscal forecast as at September 30, 2005.

Source: Ontario Ministry of Finance.

Taking into account key revenue and expense changes since the 2005 Budget, the fiscal outlook for 2005-06 is expected to overachieve the deficit target originally set out in the 2005 Budget.

Total revenue for 2005-06 is projected at $82,132 million, a net increase of $445 million from the 2005 Budget Plan mainly due to higher than projected Personal Income Tax and Corporations Tax revenue. These revenue changes are discussed further in Annex I, *Ontario's Economic and Revenue Outlook*.

Total expense is projected to increase to $83,501 million, up a net $18 million from the 2005 Budget Plan. This is mainly due to an in-year increase of $221 million related to

obligations for retirement benefits, $28 million for the Forest Sector Strategy, and $225 million in interest on debt savings.

The reserve, included to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, is unchanged at $1.0 billion. Any portion of the reserve not required at year-end will be used to reduce the deficit.

SUMMARY OF IN-YEAR OPERATING EXPENSE CHANGES SINCE BUDGET ($ MILLIONS)

	In-Year Change
Operating Expense Changes This Quarter:*	
Ministry of Government Services – retirement benefits	221
Ministry of Intergovernmental Affairs – disaster relief	1
Ministry of Natural Resources – additional forest fire fighting costs	64
Ministry of Natural Resources – Forest Sector Strategy	28
Secretariat for Aboriginal Affairs – Algonquin land claim negotiation funding	1
Ministry of Finance – Contingency Fund Offsets	(72)
Interest on Debt – savings	(225)
Total Operating Expense Changes This Quarter	18
Net Operating Expense Changes Reported in First Quarter Ontario Finances	–
Total Operating Expense Changes Since Budget	18

* Second-quarter fiscal forecast as at September 30, 2005.

- Retirement benefits expense increased $221 million for benefits payable in future years, as a result of changes to various retiree supplemental health benefits.
- A $1 million contribution to the International Federation of Red Cross and Red Crescent Societies was provided in-year for relief to victims of the South Asian earthquake through the International Disaster Relief Fund, fully offset from the Contingency Fund.
- An additional $64 million was provided in-year for higher-than-anticipated forest fire fighting costs this past summer, fully offset from the Contingency Fund.
- An in-year increase of $28 million was provided for the maintenance of primary forest access roads, as part of the Forest Sector Strategy, partially offset from the Contingency Fund.

- An additional $1 million was approved in-year to support the continued negotiation process towards a settlement agreement for the Algonquin land claim, fully offset from the Contingency Fund.
- Savings of $225 million in interest on debt costs as a result of cost-effective debt management and lower-than-forecast long-term interest rates.

SUMMARY OF IN-YEAR CAPITAL EXPENSE CHANGES SINCE BUDGET ($ MILLIONS)

	In-Year Change
Capital Expense Changes This Quarter:*	
Ministry of Northern Development and Mines – change in accounting treatment for northern highways	(157)
Ministry of Transportation – change in accounting treatment for northern highways	157
Ministry of Transportation – net increase in the Ontario Transit Vehicle Program	58
Offset from the Capital Contingency Fund	(58)
Total Capital Expense Changes This Quarter	–
Net Capital Expense Changes Reported in First Quarter Ontario Finances	–
Total Capital Expense Changes Since Budget	–

* Second-quarter fiscal forecast as at September 30, 2005.

- Decreased expense in the Ministry of Northern Development and Mines of $157 million in-year, and a corresponding increase in the Ministry of Transportation expense, reflecting the change in accounting treatment introduced in the 2004-05 Public Accounts, to disclose spending on northern highways in the ministry that carries out these activities.
- A net increase of $58 million, fully offset from the Capital Contingency Fund, in the Ontario Transit Vehicle Program this year to support the renewal of municipal transit fleets.

SECTION III: POTENTIAL RISKS, COST DRIVERS AND CONTINGENT LIABILITIES

This section highlights some of the key sensitivities and risks to the fiscal plan that could follow from unexpected changes affecting expenses.

Details on revenue risks can be found in Annex I, *Ontario's Economic and Revenue Outlook*.

EXPENSE RISKS AND SENSITIVITIES

Many programs delivered by the Province are subject to potential risks and cost drivers such as utilization growth or enrolment and caseload changes. The following sensitivities are based on averages for program areas and might change, depending on the nature and composition of the potential risk.

SELECTED EXPENSE RISKS AND SENSITIVITIES

Program/Sector	2005-06 Assumption*	2005-06 Sensitivities
Health Sector	Annual growth of 6.4 per cent.	One per cent change in health spending: $330 million.
Hospitals	Annual growth of 4.7 per cent.	One per cent change in hospital funding: $120 million.
Drug Programs	Annual growth of 15.9 per cent (seniors).	One per cent change in utilization of all drug programs: $36 million (seniors and social assistance recipients).
Long-Term Care Homes	More than 74,000 long-term care home beds.	Annual average Provincial operating cost per bed, after resident co-payment revenue, in a long-term care home is $36,000. One per cent change in number of beds: $27 million.
Home Care	Over 15.5 million hours of homemaking and support services;	One per cent change in hours of homemaking and support services: $4 million.
	8.5 million nursing and professional visits.	One per cent change in nursing and professional visits: $6 million.
Elementary and Secondary Schools	Almost two million average daily pupil enrolment.	One per cent enrolment change: $170 million.
University Students	308,000 full-time undergraduate students.	One per cent enrolment change: $22 million.
Ontario Works**	194,000 average annual caseload.	One per cent caseload change: $15 million.
College Students	151,000 full-time students.	One per cent enrolment change: $7 million.
Interest on Debt	Average cost of borrowing is forecast to be approximately 5.4 per cent.	The impact of a 100 basis-point change in borrowing rates is forecast to be approximately $250 million.

SELECTED EXPENSE RISKS AND SENSITIVITIES

Program/Sector	2005-06 Assumption*	2005-06 Sensitivities
Ontario Disability Support Program**	226,000 average annual caseload.	One per cent caseload change: $23 million.
Correctional System	2.8 million adult inmate days per year.	Average cost $162 per inmate per day. One per cent change in inmate days: $5 million.

* Second-quarter fiscal forecast as at September 30, 2005.

** Based on 2004-05.

COMPENSATION COSTS

Compensation costs and wage settlements are key cost drivers and have a substantial impact on the finances of both the broader public-sector partners and the Province.

Sector	Cost of 1% salary increase	Size of Sector
OHIP Payments to Physicians*	$70 million	Almost 22,000 physicians in Ontario, composed of approximately 10,800 family doctors and 11,000 specialists.
Hospital Nurses**	$34 million	Over 40,000 nurses in hospitals.
Elementary and Secondary School Staff***	$121 million	Over 190,000 staff including teachers, principals, administrators, support and maintenance staff.
Ontario Public Service†	$50 million	Over 64,000 public servants.

* Based on 2005-06.

** Based on 2003-04.

*** One per cent increase in salary benchmarks in Grants for Student Needs based on 2005-06 school year.

† Based on 2004-05, reflects total compensation costs.

CONTINGENT LIABILITIES

In addition to the key demand sensitivities and economic risks to the fiscal plan, there are additional risks stemming from the government's contingent liabilities. Whether these contingencies will result in actual liabilities for the Province is beyond the direct control of the government. Losses could result from legal settlements, defaults on projects, and loan and funding guarantees. Provisions for losses that are likely to occur and that can be reasonably estimated are expensed and reported as liabilities in the Province's financial statements. Significant contingent liabilities as disclosed in the 2004-05 Annual Report and Consolidated Financial Statements are described below.

Ontario Nuclear Funds Agreement

The Province has certain responsibilities with respect to nuclear used fuel waste management and nuclear station decommissioning. The Province, Ontario Power Generation Inc. (OPG), a wholly owned subsidiary, and certain subsidiaries of OPG are parties to the Ontario Nuclear Funds Agreement (ONFA), to establish, fund and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and nuclear used fuel waste management. Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds for a fixed volume of used fuel. As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario Consumer Price Index for the nuclear used fuel waste management fund. The Province has also provided a direct Provincial guarantee to the Canadian Nuclear Safety Commission on behalf of OPG for up to $1.5 billion, which relates to the portion of the decommissioning and waste management obligations not funded by the segregated funds.

Obligations Guaranteed by the Province

The Province provides guarantees on loans on behalf of various parties. The authorized limit for loans guaranteed by the Province as at March 31, 2005 was $3.9 billion. The outstanding loans guaranteed and other contingencies amounted to $3.2 billion at March 31, 2005. A provision of $409 million based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been expensed and is reflected in the 2004-05 Annual Report and Consolidated Financial Statements of the Province.

Social Housing—Loan Insurance Agreements

The Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation for any net costs, including any environmental liabilities incurred as a result of project defaults, for all non-profit housing projects in the Provincial portfolio. At March 31, 2005, there were $8.8 billion of mortgage loans outstanding.

Claims Against the Crown

There are claims outstanding against the Crown arising from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property, and like items. At March 31, 2005, there were 82 claims outstanding against the Crown that were for amounts over $50 million.

CONCLUSION

The 2005 Ontario Budget outlined a plan to eliminate the deficit over the medium term while maintaining key investments in the areas of health care, education and skills to support a new generation of economic growth and prosperity in Ontario.

The government remains committed to strong financial management and will be focused and disciplined in keeping program spending under control. Reserves are included to protect against unforeseen and adverse changes in the economic and fiscal outlook.

The government is on track to achieve its fiscal targets. This Economic Outlook and Fiscal Review now projects the 2005-06 deficit to be $2.4 billion, an improvement of $0.4 billion from the $2.8 billion deficit projected in the 2005 Budget. If the reserve is not required by year-end, the deficit is projected to be $1.4 billion. Over the medium term, the Province remains on track to eliminate the deficit no later than 2008-09. The budget will be balanced a year earlier, if the reserve is not required in 2007-08.

Further fiscal and financial information can be found in Annex V, *Fiscal Tables and Graphs*.

ANNEX III

TRANSPARENCY IN TAXATION

Introduction

The enactment of the *Fiscal Transparency and Accountability Act, 2004*, represents a major commitment of the Ontario Government to be more open and accountable. Under Section 6 of the Act, the Minister of Finance is required to release a mid-year review of the fiscal plan on or before November 15 of each year, which must include information about the estimated cost of expenditures made through the tax system.

Tax expenditure reporting is an important element of improved fiscal transparency and accountability. This report is the first such annual compilation of the estimated cost of Ontario tax provisions under this legislation.

> Many other jurisdictions have published tax expenditure reports including several other Canadian provinces, the federal government, a number of Organisation for Economic Co-operation and Development member countries, as well as U.S. states.

Structure of Report

This report provides estimates with respect to provisions in the following taxes:

- Personal Income Tax
- Corporate Tax
- Sales and Commodity Tax
- Education Property Tax
- Employer Health Tax
- Estate Administration Tax
- Gross Revenue Charge

Estimates of the revenue foregone in 2005 are presented in tables followed by a brief description of each tax provision. These descriptions are intended to provide a basic understanding of the provision and do not replace the relevant legislation or regulations.

SCOPE

There is no universally agreed-upon definition of a "tax expenditure." This report takes a broad approach by listing estimates of revenue foregone under the current tax system for a wide range of tax provisions.

Personal and corporate income tax expenditures identified in this report include tax expenditures shared with the federal government and Ontario-only tax expenditures.

Under a tax collection agreement between Ontario and Canada, the federal government determines the personal income tax base. Ontario has limited policy control over the individual components of taxable income and the associated tax expenditures related to the federally defined tax base.

Ontario currently collects and administers its own corporate income tax.[1] However, to reduce tax complexity and compliance costs, Ontario generally parallels federal corporate income tax measures. Ontario-only tax expenditures are measures that fall solely within Ontario's jurisdiction.

METHOD

The estimates in this report have been developed using the latest available taxation or economic data, forecast to the 2005 calendar year. The data used to estimate the value of the tax provisions come from a variety of sources. Revisions to the underlying data, as well as improvements to the estimation method, may result in changes to the value of a given tax expenditure in future publications. In addition, some tax measures are particularly sensitive to economic conditions or other variables and could fluctuate significantly from year to year.

The amount of revenue foregone was estimated by recalculating revenues assuming the elimination of the measure in question and applying appropriate projections to estimate the 2005 calendar-year impact. The difference between actual revenues and the recalculated figure provides the estimate of the value of the tax provision. Specific data sources and other information are noted at the end of each table.

---

[1] Ontario is currently negotiating with the federal government an agreement under which the federal government would collect and administer Ontario's corporate income tax.

The estimates presented in this report are not intended to represent the potential revenue gain for Ontario if the tax provisions were not in place. Each estimate has been determined separately and in isolation of other factors, such as the economic impact of any change; behavioural responses; the interaction among various tax provisions; or any modifications in policy that might reasonably accompany the change. In addition, the estimates cannot be added together to determine the total cost of a particular group of tax expenditures or of all measures combined, given the inter-related nature of the tax system.

Tax expenditure estimates that are less than $1 million are denoted by the letter "s" (small). This report also includes tax provisions for which estimates are not available. Inclusion of such items is similar to the approach taken in other jurisdictions and is warranted given that this report is designed to ensure greater accountability and transparency.

Future annual reports will continue to refine Ontario's tax expenditure estimates.

Personal Income Tax

Table 1 provides estimates of tax provisions relating to the Ontario Personal Income Tax system. Business deductions listed here are for unincorporated businesses.

Table 1: Personal Income Tax[1]

Tax Provisions	2005 Estimates[2] ($ millions)
Ontario Non-refundable Tax Credits	
Adoption Expense Credit[3]	1
Age Credit	230
Amounts Transferred from Spouse	40
Basic Personal Credit	3,935
Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) Contributions Credit	445
Caregiver Credit	10
Charitable Donations Credit	465
Disability Credit	75
Eligible Dependant Credit	95
Employment Insurance (EI) Premiums Credit	190
Infirm Dependant Credit	1
Medical Expense Credit	105
Ontario Overseas Employment Tax Credit	6
Pension Income Credit	85
Spouse or Common-law Partner Credit	215
Student Loan Interest Credit	10
Tuition Fee and Education Credits	215
Ontario Tax Reduction (OTR)	
OTR — Basic Reduction	130
OTR — Reduction for Dependent Children Under 19	180
OTR — Reduction for Disabled or Infirm Dependants	7
OTR — Total[4]	255
Ontario Tax Credits[5]	
Ontario Focused Flow-through Share Tax Credit	2
Ontario Political Contributions Tax Credit	5
Ontario Property and Sales Tax Credits (OPSTCs)	
OPSTCs — Non-seniors	460
OPSTCs — Seniors[6]	515
OPSTCs — Total[6]	975

TABLE 1: PERSONAL INCOME TAX[1]

Tax Provisions	2005 Estimates[2] ($ millions)
ONTARIO LABOUR SPONSORED INVESTMENT FUND AND EMPLOYEE OWNERSHIP TAX CREDITS	
Employee Ownership (EO) Tax Credit	s
Labour Sponsored Investment Fund (LSIF) Tax Credit	30
Research-oriented Investment Fund (ROIF) Tax Credit	2
Exemptions, Deductions and Deferrals Shared with the Federal Government	
BUSINESS	
Items for Which an Estimate Is Not Available	
Assistance for Artists and Deduction for Canadian Art Purchased by Unincorporated Businesses	
Assistance for Prospectors and Grubstakers	
Deduction of Accelerated Capital Cost Allowance	
Deferral Through Use of Billed-basis Accounting by Professionals	
EMPLOYMENT	
Deduction for Clergy Residence	15
Deduction of Home Relocation Loans	s
Deduction of Other Employment Expenses	240
Deduction of Union and Professional Dues	115
Employee Stock Options	130
Moving Expense Deduction	15
Northern Residents' Deductions	1
Items for Which an Estimate Is Not Available	
Deduction for Apprentice Vehicle Mechanics' Tools	
Deduction for Artists and Musicians	
Deduction for Military and Police Deployed to High-risk International Missions	
Deduction for Tuition Assistance for Adult Basic Education	
Deferral of Salary Through Leave of Absence/Sabbatical Plans	
Employee Benefit Plans	
Non-taxation of Allowances to Public Officials	
Non-taxation of Business-paid Health and Dental Benefits	
Non-taxation of Certain Non-monetary Employment Benefits	
Special Tax Computations for Certain Retroactive Lump-sum Payments	
FARMING AND FISHING	
Items for Which an Estimate Is Not Available	
Cash-basis and Flexibility in Inventory Accounting	
Deduction of Farm Losses for Part-time Farmers	

TABLE 1: PERSONAL INCOME TAX[1]

Tax Provisions	2005 Estimates[2] ($ millions)
Deferral of Income for Farmers	
Net Income Stabilization Account for Farmers	
INVESTMENT	
$500,000 Lifetime Capital Gains Exemption for Farm Property and Small Business Shares	130
Deduction of Allowable Business Investment Losses	10
Deduction of Carrying Charges Incurred to Earn Income	250
Deduction of Resource-related Expenditures	40
Partial Inclusion of Capital Gains	305
Items for Which an Estimate Is Not Available	
Capital Gains Exemptions — $1,000 on Personal-use Property and $200 on Foreign Exchange Transactions	
Deduction of Limited Partnership Losses	
Deferral of Capital Gains Through Five-year Reserve	
Deferral of Capital Gains Through Rollovers	
Deferral of Capital Gains Through 10-year Reserve for Farm Property and Small Business Shares	
Deferral of Capital Gains Through Transfers to a Spouse or Spousal Trust	
Non-taxation of Capital Gains on Principal Residences	
Reduced Inclusion Rate for Capital Gains Arising from Certain Donations	
Taxation of Capital Gains Upon Realization	
NON-TAXABLE INCOME	
Guaranteed Income Supplement and Allowance Benefits	25
Social Assistance Benefits	20
Workers' Compensation Benefits	155
Items for Which an Estimate Is Not Available	
Certain Federal Government Pensions and Allowances	
Damages With Respect to Personal Injury or Death	
Death Benefits of Up to $10,000	
Employer-paid CPP/QPP Contributions and EI Premiums	
Gifts and Bequests	
Income of Indians on Reserves	
Income from the Office of the Governor General and Allowances for Diplomats and Other Government Employees Posted Abroad	
Investment Income on Life Insurance Policies	
Lottery and Gambling Winnings	
Strike Pay	

TABLE 1: PERSONAL INCOME TAX[1]

Tax Provisions	2005 Estimates[2] ($ millions)
SPECIAL CIRCUMSTANCES	
Child Care Expense Deduction	135
Treatment of Alimony, Maintenance and Child Support Payments	55
Items for Which an Estimate Is Not Available	
Deduction Related to Vows of Perpetual Poverty	
Disability Supports Deduction	
Partial Exemption of Scholarship, Fellowship and Bursary Income	
Tax-free Amount for Emergency Service Volunteers	
TAX-DEFERRED SAVINGS	
Registered Pension Plans (RPPs) — Deduction for Contributions	505
Registered Retirement Savings Plan (RRSPs) — Deduction for Contributions	1,755
Items for Which an Estimate Is Not Available	
Deferred Profit-sharing Plans	
Registered Education Savings Plans (RESPs)	
RPPs and RRSPs — Non-taxation of Investment Income	

Endnotes:

1. Estimates do not include the impact of revenue foregone from personal income tax provisions for trusts, which are taxed as individuals under the *Income Tax Act*.
2. Estimates are based on 2002 tax-filer data forecast to represent the 2005 taxation year, unless otherwise noted. The tax-filer data include only those returns assessed within one year of the taxation year.
3. Estimate is based on federal estimates.
4. This total is less than the sum of the OTR components due to their interaction.
5. Estimates are based on preliminary 2004 tax assessment information unless otherwise noted, adjusted to reflect the assessments for the balance of the processing year and forecast to represent the 2005 taxation year.
6. Estimate is based on (5) above and the enrichment proposed in the 2005 Ontario Budget.

Personal Income Tax — Description of Tax Provisions

Ontario Non-refundable Tax Credits

Adoption Expense Credit The 2005 Ontario Budget proposed a non-refundable tax credit equal to 6.05% of eligible adoption expenses of up to $10,000.

Age Credit Tax-filers aged 65 and over are entitled to a claim of 6.05% of $4,002. The base amount is reduced by the lesser of $4,002 and 15% of the individual's net income in excess of $29,793. Any unused portion may be transferred to a supporting spouse or common-law partner.

Amounts Transferred from Spouse The unused portions of the age credit, pension income credit, disability credit, and education and tuition fee amounts may be transferred to a supporting spouse or common-law partner.

Basic Personal Credit Tax-filers are entitled to claim a basic personal credit of 6.05% of $8,196.

Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) Contributions Credit Tax-filers are entitled to claim 6.05% of their CPP and QPP contributions.

Caregiver Credit Tax-filers who reside with and are responsible for the in-home care of an infirm, dependent relative or an elderly parent/grandparent (including in-laws) can claim a credit equal to 6.05% of $3,863 less the amount by which the dependant's net income for the year exceeds $13,218.

Charitable Donations Credit Tax-filers can claim 6.05% of the first $200 of charitable donations and gifts and 11.16% of donations and gifts in excess of $200.

Disability Credit Tax-filers who have a severe and prolonged mental or physical impairment causing a marked restriction in basic activities of daily living may claim a credit equal to 6.05% of $6,622. Any unused amount may be transferred to a supporting relative.

Eligible Dependant Credit Tax-filers who qualify to claim an eligible dependant are entitled to a claim of 6.05% of $6,960. The base amount is reduced by the amount of the eligible dependant's net income in excess of $696 but less than $7,656.

Employment Insurance (EI) Premiums Credit Tax-filers are entitled to claim 6.05% of their EI premiums.

Infirm Dependant Credit The amount that a tax-filer can claim for an infirm dependant is 6.05% of $3,863 less the amount by which the dependant's net income exceeds $5,492.

Medical Expense Credit A credit for non-reimbursed medical expenses, including those incurred on behalf of a tax-filer's spouse or common-law partner or minor children, may be claimed by tax-filers. Generally, the credit is 6.05% of eligible expenses in excess of the lesser of $1,856 and 3% of the individual's net income for the year. In addition, up to $5,095 of qualifying medical expenses paid on behalf of other dependent relatives, which the 2005 Ontario Budget proposes to increase to $10,000, may be claimed to the extent that they exceed the lesser of $1,856 and 3% of the dependant's net income.

Ontario Overseas Employment Tax Credit A tax credit is available to eligible employees working abroad for more than six months in connection with certain resource projects or construction, installation, agricultural or engineering activities.

Pension Income Credit A 6.05% tax credit on up to $1,133 of eligible pension income may be claimed by qualified tax-filers. Any unused portion may be transferred to a supporting spouse or common-law partner.

Spouse or Common-law Partner Credit Tax-filers who are married or have common-law partners are entitled to a claim of 6.05% of the lesser of $6,960 and the spouse's or common-law partner's net income deducted from $7,656.

Student Loan Interest Credit A 6.05% tax credit on the interest portion of student loan payments made in a year may be claimed in the year in which it is paid or in any of the subsequent five years. The credit is available with respect to payments under the Canada Student Loan Program and similar provincial programs.

Tuition Fee and Education Credits Students may claim a credit of 6.05% of eligible tuition fees and another credit of 6.05% of $441 (for full time) or $132 (for part time) for each month of enrolment at a qualifying postsecondary institution. The unused portions of the tuition fee and education amounts may be transferred to a supporting spouse or common-law partner, parent or grandparent. The maximum transfer from a student for the two amounts combined is $5,667. To the extent that students do not claim or transfer all their tuition fee and education credits in the year, the unused amounts can be carried forward indefinitely for their own use in a future year.

Ontario Tax Reduction

Ontario Tax Reduction (OTR) This program eliminates or reduces Ontario personal income tax otherwise payable by tax-filers with low and moderate incomes. All Ontario tax-filers can claim a basic exemption plus a supplementary amount for

each dependent child aged 18 or under and each disabled or infirm dependant. An individual with Ontario tax of less than the sum of these amounts pays no Ontario tax.

Ontario Tax Credits

Ontario Focused Flow-through Share Tax Credit — To improve access to capital for mining exploration companies and stimulate mineral exploration in Ontario, individual shareholders can claim a 5% refundable credit on eligible investments.

Ontario Political Contributions Tax Credit — Contributions to registered Ontario political parties as well as to their candidates and associations are eligible for a tax credit of 75% of the first $336, 50% of the next $784 and 33.3% of the next $1,428. A contribution of $2,548 or more results in a credit of $1,120.

Ontario Property and Sales Tax Credits (OPSTCs) — The Property Tax Credit is the lesser of occupancy cost and a basic property tax credit amount plus 10% of occupancy cost. Occupancy cost is property tax or 20% of rent paid on an individual's or couple's principal residence plus $25 if residing in a college residence. The basic property tax credit amount is $250 for non-senior individuals or couples and $625 for senior individuals or couples. The Sales Tax Credit is $100 for an individual plus $100 for a spouse or common-law partner and $50 for each dependent child aged 18 or under. The credits for non-seniors are jointly reduced by 2% of family net income in excess of $4,000; the credits for seniors are jointly reduced by 4% of family net income in excess of $22,000, which the 2005 Ontario Budget proposes to increase for senior couples. The maximum OPSTCs are $1,000 for non-seniors and $1,125 for seniors. The estimate includes the proposed increase to the income threshold for senior couples, which is expected to be $22,250 for 2005.

Ontario Labour Sponsored Investment Fund and Employee Ownership Tax Credits

Employee Ownership (EO) Tax Credit — A tax credit is available to individual employee investors based on a maximum lifetime investment of $150,000 in the EO corporation.

Labour Sponsored Investment Fund (LSIF) Tax Credit — LSIFs are venture capital corporations designed to provide alternative sources of capital to small and medium-sized Ontario businesses. A tax credit of 15%, to a maximum of $750, is available to eligible investors. On September 30, 2005, it was announced that the LSIF tax credit would be phased out and eliminated after 2010.

Research-oriented Investment Fund (ROIF) Tax Credit — In addition to the LSIF credit, a tax credit of 5%, to a maximum of $250, is available to eligible investors where the LSIF qualifies as a Research-oriented Investment Fund. As with the LSIF credit, the ROIF tax credit would also be eliminated after 2010.

Exemptions, Deductions and Deferrals Shared with the Federal Government

Business

Items for Which an Estimate Is Not Available

Assistance for Artists and Deduction for Canadian Art Purchased by Unincorporated Businesses — Canadian art acquired by businesses for display in an office may be depreciated on a 20% declining-balance basis even though Canadian art may depreciate at a much slower rate (and, in some cases, may appreciate). Artists may deduct the costs of creating a work of art in the year the costs are incurred rather than in the year the work of art is sold.

Assistance for Prospectors and Grubstakers — Where a prospector or grubstaker disposes of mining property to a corporation in exchange for shares in that corporation, the tax liability is deferred until the subsequent disposition of the shares.

Deduction of Accelerated Capital Cost Allowance — The depreciation allowable for tax purposes is called capital cost allowance. A tax deferral may be created when tax deductions in the early years of the life of an asset exceed the actual depreciation in the value of the asset. The difference is captured over time or upon subsequent disposition of the asset.

Deferral Through Use of Billed-basis Accounting by Professionals — In computing their income for tax purposes, professionals are allowed to elect either an accrual or billed-basis accounting method. Under the latter method, the costs of work in progress can be written off as incurred even though the associated revenues are not brought into income until the bill is paid or becomes receivable. This treatment gives rise to a deferral of tax.

Employment

Deduction for Clergy Residence — A full-time member of the clergy or a regular minister of a religious denomination may deduct housing costs from income for tax purposes. Where a member of the clergy is supplied living accommodation by his or her employer or receives housing allowances, an offsetting deduction may be claimed to the extent that this benefit is included in income.

Deduction of Home Relocation Loans — An offsetting deduction from taxable income is provided for the benefit received by an employee with respect to a home relocation loan. The amount of the deduction is the lesser of the amount included in income as a taxable benefit, and the amount of the benefit that would arise with respect to a five-year, interest-free loan of $25,000.

Deduction of Other Employment Expenses — Employees generally cannot deduct work-related expenses. However, specific employment expenses (e.g., automobile

expenses, cost of meals and lodging for certain transport employees, legal expenses paid to collect salary) are deductible in certain circumstances in the computation of income.

Deduction of Union and Professional Dues Annual union, professional or like dues are deductible from income.

Employee Stock Options Provided certain conditions are met, an employee of a corporation or Canadian mutual fund is allowed to deduct from net income a portion of the stock (or mutual fund unit) option benefit included in calculating employment income. In 2005, the deductible portion of the benefit is one-half.

Moving Expense Deduction A deduction may be made for eligible moving expenses if the tax-filer changes residences within Canada and moves at least 40 kilometres closer to a new job, business location or postsecondary institution where the individual will engage in full-time schooling. The estimates do not include non-taxable reimbursements received from employers.

Northern Residents' Deductions To offset the relatively higher cost of living and travelling in the North, individuals living in a qualifying remote location in Canada for a continuous period of at least six months may claim certain deductions from income.

Items for Which an Estimate Is Not Available

Deduction for Apprentice Vehicle Mechanics' Tools Registered apprentice vehicle mechanics may deduct from their apprenticeship income an amount for the cost of their tools in excess of a proportion of that income.

Deduction for Artists and Musicians Employed musicians may claim the cost of maintenance, rental, insurance and capital cost allowance on musical instruments against employment income earned as a musician. Employed artists may deduct expenses related to their artistic endeavours, up to a limit.

Deduction for Military and Police Deployed to High-risk International Missions Members of the Canadian Forces or a Canadian police force who serve on a high-risk international mission may claim an offsetting deduction for their income earned on the mission.

Deduction for Tuition Assistance for Adult Basic Education Students may deduct from income tuition assistance provided under the *Employment Insurance Act*.

Deferral of Salary Through Leave of Absence / Sabbatical Plans Employees may defer salaries through a leave of absence/sabbatical plan. Provided certain conditions are met, these amounts are not subject to tax until received.

Employee Benefit Plans — Employers may make contributions to an "employee benefit plan" on behalf of their employees. The employee is not required to include in income the contributions to the plan, or the investment income earned within the plan, until amounts are received. Employers may not deduct these contributions to the plan until the contributions are actually distributed to employees.

Non-taxation of Allowances to Public Officials — Federal Members of Parliament, Senators and some other public officials receive flat allowances for expenses incidental to their duties. These amounts are not included in income for tax purposes.

Non-taxation of Business-paid Health and Dental Benefits — Employer-paid benefits for private health and dental plans are not taxable. Self-employed individuals may deduct private health and dental insurance premiums from their business income.

Non-taxation of Certain Non-monetary Employment Benefits — Certain fringe benefits, such as subsidized meals in staff cafeterias, subsidized recreational facilities and special clothing provided to employees by their employers, are not taxable.

Special Tax Computations for Certain Retroactive Lump-sum Payments — Certain retroactive lump-sum payments totalling $3,000 or more are eligible for a special tax calculation.

Farming and Fishing

Items for Which an Estimate Is Not Available

Cash-basis and Flexibility in Inventory Accounting — Individuals engaged in farming and fishing may elect to include revenues when received, rather than when earned, and deduct expenses when paid rather than when the related revenue is reported. Farmers using the cash-basis method of accounting are allowed to depart from it with respect to their inventory.

Deduction of Farm Losses for Part-time Farmers — Individuals whose major source of income is not farming are allowed to deduct farm losses up to an annual maximum against other income.

Deferral of Income for Farmers — Income received from herd reduction in a drought region or the statutory forced destruction of livestock can be deemed to be income in the following year. Cash purchase tickets for deliveries of grain before year-end only become income in the year the tickets are cashed.

Net Income Stabilization Account for Farmers — Farmers may deposit a percentage of a given year's eligible net sales, up to a limit, to their Net Income Stabilization Account. Some deposits are matchable by the federal and provincial governments. Governments also pay a 3% interest bonus annually on deposits that

remain in the account. Governments' contributions and interest accrued in the account are not taxable until withdrawn.

INVESTMENT

$500,000 Lifetime Capital Gains Exemption for Farm Property and Small Business Shares — A $500,000 lifetime capital gains exemption is available for gains with respect to the disposition of qualified farm property and small business shares.

Deduction of Allowable Business Investment Losses — A portion of capital losses with respect to shares or debts of a small business corporation (allowable business investment losses) may be used to offset other income.

Deduction of Carrying Charges Incurred to Earn Income — Interest and other carrying charges, such as investment counselling fees and safety-deposit-box charges, incurred to earn business or investment income are deductible.

Deduction of Resource-related Expenditures — Individuals are entitled to deduct certain expenses associated with the exploration for, and the development of, Canadian natural resources. These expenses are deductible if the taxpayer either engages directly in these resource activities or provides financing to a resource company that in turn "flows through" the tax deductions to the taxpayer.

Partial Inclusion of Capital Gains — Fifty per cent of net realized capital gains are included in income. The amount of the tax expenditure is the additional tax that would have been collected had the full amount of the capital gains been included in income.

Items for Which an Estimate Is Not Available

Capital Gains Exemptions — $1,000 on Personal-use Property and $200 on Foreign Exchange Transactions — In calculating the capital gain on personal-use property, if the proceeds of disposition are less than $1,000, no capital gain needs to be reported. The first $200 of net capital gains on foreign exchange transactions is exempt from tax.

Deduction of Limited Partnership Losses — A limited partner is able to deduct losses against other income up to the amount of investment at risk, whereas a shareholder is normally not permitted to deduct corporate losses against personal income. Unused losses may be carried back three years or forward seven years.

Deferral of Capital Gains Through Five-year Reserve — If proceeds from a sale of capital property are not all receivable in the year of the sale, realization of a portion of the capital gain may be deferred until the year in which the proceeds are received. A minimum of 20% of the gain must be brought into income each year, creating a maximum five-year reserve period.

Deferral of Capital Gains Through Rollovers Individuals (other than trusts) are permitted a rollover of capital gains on eligible small business investments. To the extent that the proceeds are reinvested in one or more eligible small business corporations, the liability for personal income tax on the gain is deferred until the replacement property is sold. In addition, capital gains on intergenerational transfers of farm property are deferred in certain circumstances until the property is disposed of outside the immediate family.

Deferral of Capital Gains Through 10-year Reserve for Farm Property and Small Business Shares If proceeds from the sale of small business shares or from the sale of farm property to a child, grandchild or great-grandchild are not all receivable in the year of sale, realization of a portion of the capital gain may be deferred until the year in which the proceeds become receivable. However, a minimum of 10% of the gain must be brought into income each year, creating a maximum 10-year reserve period. For most other assets, the maximum reserve period is five years.

Deferral of Capital Gains Through Transfers to a Spouse or Spousal Trust Individuals may transfer capital property to their spouses or spousal trusts at the adjusted cost base of the property rather than the fair market value. This provides a deferral of the capital gain until the subsequent disposition of the property or until the transferee spouse dies.

Non-taxation of Capital Gains on Principal Residences Capital gains realized on the disposition of a tax-filer's principal residence are non-taxable.

Reduced Inclusion Rate for Capital Gains Arising from Certain Donations The inclusion rate for gifts of securities and ecologically sensitive land is 25%, which is half the inclusion rate for capital gains. In addition, capital gains on certain objects certified as being of cultural importance to Canada are exempt from tax if donated to a designated museum or art gallery.

Taxation of Capital Gains Upon Realization Capital gains are taxed upon the disposition of property and not on an accrual basis. This provides a tax deferral.

NON-TAXABLE INCOME

Guaranteed Income Supplement and Allowance Benefits Although Guaranteed Income Supplement and Allowance benefits for an eligible spouse, common-law partner, widow or widower must be included in income, an offsetting deduction from net income is provided. This approach effectively exempts such benefits from taxation while ensuring that they are taken into account in determining income-tested credits.

Social Assistance Benefits — Social assistance benefits must be included in income. However, an offsetting deduction from net income is provided. This approach effectively exempts such benefits from taxation while continuing to have the amount of the benefit affect income-tested credits.

Workers' Compensation Benefits — Workers' compensation benefits must be included in income. However, an offsetting deduction from net income is provided. This approach effectively exempts such benefits from taxation while continuing to have the amount of the benefit affect income-tested credits.

Items for Which an Estimate Is Not Available

Certain Federal Government Pensions and Allowances — Pension payments, allowances and other compensation received with respect to an injury, disability or death associated with service in the Royal Canadian Mounted Police are non-taxable. In addition, veterans' allowances, veterans' disability pensions and support for dependants, civilian war pensions and allowances, and other service pensions are not included in income for tax purposes.

Damages With Respect to Personal Injury or Death — Amounts received with respect to damages for personal injury or death, and awards paid pursuant to the authority of criminal-injury compensation laws are not taxable. In addition, investment income earned in personal injury awards is excluded from income until the end of the year in which the person reaches the age of 21.

Death Benefits of Up to $10,000 — Up to $10,000 of death benefits paid by an employer to the spouse of a deceased employee are non-taxable.

Employer-paid CPP/QPP Contributions and EI Premiums — Employer-paid CPP/QPP contributions and EI premiums are not included in the calculation of income for employees.

Gifts and Bequests — Gifts and bequests are not included in income of the recipient for tax purposes.

Income of Indians on Reserves — The income of status Indians is exempt from tax if situated on a reserve.

Income from the Office of the Governor General and Allowances for Diplomats and Other Government Employees Posted Abroad — The income of the Governor General is exempt from personal income taxation. Diplomats and other government employees posted abroad receive a non-taxable income supplement to cover the additional costs associated with living outside Canada.

Investment Income on Life Insurance Policies — The investment income earned on some life insurance policies is not taxed as income to the policyholder. Instead, for reasons of administrative convenience, insurance companies are subject to tax on such earnings.

Lottery and Gambling Winnings — Lottery and gambling winnings are excluded from income for tax purposes.

Strike Pay — Strike pay is non-taxable.

Special Circumstances

Child Care Expense Deduction — A claim may be made for expenses incurred with respect to an eligible child to allow an individual to be employed for which an income is earned, to study, to take an occupational training course for which an allowance under the *National Training Act* is received, or to conduct research for which a grant is received. The spouse with the lower income must generally claim the deduction.

Treatment of Alimony, Maintenance and Child Support Payments — As of May 1, 1997, child support paid pursuant to a written agreement or court order made on or after that day, is not deductible to the payer nor included in the income of the recipient. Child support paid pursuant to a court order or written agreement made before that date continues to be deductible to the payer and included in the income of the recipient, unless the agreement is varied or both parties elect to have the new rules apply. The tax changes do not apply to spousal support. Spousal support payments remain deductible by the payer and are included in the income of the recipient.

Items for Which an Estimate Is Not Available

Deduction Related to Vows of Perpetual Poverty — Where a person has taken a vow of perpetual poverty as a member of a religious order, that person may deduct donations to the religious order up to his or her total employment and pension income (but not investment or other income) in lieu of the charitable donations credit.

Disability Supports Deduction — Individuals may deduct expenses from income with respect to disability supports if they are incurred for education or employment purposes.

Partial Exemption of Scholarship, Fellowship and Bursary Income — For students eligible for the education credit, the first $3,000 of scholarship, fellowship and bursary income is exempt from tax.

Tax-free Amount for Emergency Service Volunteers — The first $1,000 of amounts received by a tax-filer in connection with volunteer duties as an ambulance technician, firefighter or other emergency worker is exempt from tax.

Tax-deferred Savings

Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs) – Deduction for Contributions — Contributions by individuals to registered plans are deductible, subject to certain limits.

Items for Which an Estimate Is Not Available

Deferred Profit-sharing Plans — Employer contributions to deferred profit-sharing plans on behalf of their employees are tax-deductible. Withdrawals from the plans are taxable in the hands of the employees.

Registered Education Savings Plans (RESPs) — Individuals may contribute to registered education savings plans on behalf of designated children. Income accrued within the plans is not taxed until withdrawn for the postsecondary education of the named beneficiaries.

RPPs and RRSPs — Non-taxation of Investment Income — Investment income in registered plans is not taxed as it accrues. Individuals benefit from a deferral of tax on investment income until funds are withdrawn from these plans.

CORPORATE TAX

The estimated value of tax provisions in the Ontario Corporate Income Tax, Capital Tax and Mining Tax systems are presented in Table 2.

TABLE 2: CORPORATE TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Corporate Income Tax	
Ontario Refundable Tax Credits	
Apprenticeship Training Tax Credit[2,3]	95
Co-operative Education Tax Credit[2,3]	5
Ontario Book Publishing Tax Credit[4]	2
Ontario Business Research Institute Tax Credit	5
Ontario Computer Animation and Special Effects Tax Credit[4]	4
Ontario Film and Television Tax Credit[4]	80
Ontario Innovation Tax Credit	160
Ontario Interactive Digital Media Tax Credit[4]	2
Ontario Production Services Tax Credit[4]	40
Ontario Sound Recording Tax Credit[4]	1
Ontario Deductions and Exemptions	
Additional Deduction for Credit Unions	5
Assets Used to Generate Clean Energy	s
Manufacturing and Processing (M&P) and Resource Sector Credit	220
Non-taxation of the Federal Investment Tax Credit[5]	180
Ontario Current Cost Adjustment	2
Ontario Depletion Allowance	s
Ontario New Technology Tax Incentive	s
Ontario Political Contributions	2
Ontario Resource Allowance[6]	50
Ontario School Bus Safety Tax Incentive[2]	3
Small Business Deduction[7]	825
Exemptions, Deductions and Deferrals Shared with the Federal Government	
Allowable Business Investment Losses[8,9]	3
Deductibility of Charitable Donations[8]	70

CORPORATE TAX

The estimated value of tax provisions in the Ontario Corporate Income Tax, Capital Tax and Mining Tax systems are presented in Table 2.

TABLE 2: CORPORATE TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Corporate Income Tax	
Ontario Refundable Tax Credits	
Apprenticeship Training Tax Credit[2]	95
Co-operative Education Tax Credit[2]	5
Ontario Book Publishing Tax Credit[3]	2
Ontario Business Research Institute Tax Credit	5
Ontario Computer Animation and Special Effects Tax Credit[4]	4
Ontario Film and Television Tax Credit[4]	80
Ontario Innovation Tax Credit	160
Ontario Interactive Digital Media Tax Credit[4]	2
Ontario Production Services Tax Credit[4]	40
Ontario Sound Recording Tax Credit[4]	1
Ontario Deductions and Exemptions	
Additional Deduction for Credit Unions	5
Assets Used to Generate Clean Energy	s
Manufacturing and Processing (M&P) and Resource Sector Credit	220
Non-taxation of the Federal Investment Tax Credit[5]	180
Ontario Current Cost Adjustment	2
Ontario Depletion Allowance	s
Ontario New Technology Tax Incentive	s
Ontario Political Contributions	2
Ontario Resource Allowance	50
Ontario School Bus Safety Tax Incentive	3
Small Business Deduction[6]	825
Exemptions, Deductions and Deferrals Shared with the Federal Government	
Allowable Business Investment Losses[5]	3
Deductibility of Charitable Donations[5]	70

TABLE 2: CORPORATE TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Deductibility of Gifts to the Crown[5]	s
Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land[5]	3
Deferral of Income for Farmers[5]	s
Holdback on Progress Payments to Contractors[5]	11
Non-taxation of Non-profit Organizations[5]	70
Partial Inclusion of Capital Gains[5]	700
Items for Which an Estimate Is Not Available	
Accelerated Writeoff of Capital Assets and Resource-related Expenditures	
Cash-basis Accounting and Flexibility in Inventory Accounting	
Deductibility of Countervailing and Anti-dumping Duties	
Deferral Through Capital Gains Rollovers	
Deferral Through Use of Billed-basis Accounting by Professionals	
Expensing of Advertising Costs	
Non-taxation of Provincial, Municipal and Federal Crown Corporations	
Non-taxation of Registered Charities	
Tax Exemption on Income of Foreign Affiliates of Canadian Corporations	
Taxation of Capital Gains upon Realization	
Capital Tax[10]	
Capital Tax Deduction	255
Deferred Mining Exploration and Development Expenses	4
Deferred Ontario New Technology Tax Incentive and Scientific Research and Experimental Development Costs	s
Exemption for Assets Used to Generate Clean Energy	s
Exemption for Family Farm Corporations, Family Fishing Corporations, Credit Unions and Other Specified Entities	s
Small Business Investment Tax Credit for Financial Institutions	8
Items for Which an Estimate Is Not Available	
Renounced Mining Expenses	

TABLE 2: CORPORATE TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Mining Tax[11]	
Mining Tax Exemption	15
Mining Tax Holiday for Mines (other than remote mines)	s
Mining Tax Holiday for New Remote Mines	s
Mining Tax Rate for Remote Mines	s
Processing Allowance	40
Items for Which an Estimate Is Not Available	
Fast Writeoff of Exploration Costs	

Endnotes

1. Estimates are forecast to the 2005 calendar year based on preliminary 2003 Ontario tax administration data, unless otherwise noted. Estimates do not include the revenue impact of corporate income tax expenditures provided to mutual fund corporations.
2. Estimates include the impact of both the corporate and personal income tax provisions.
3. The Apprenticeship Training Tax Credit was announced in the 2004 Ontario Budget. The estimated 2005-06 impact as provided in the Budget was $95 million. Some of the apprenticeship programs previously included under the Cooperative Education Tax Credit (CETC) were transferred to the new credit. The estimate for the CETC was produced at the time of the 2004 Budget.
4. Included in the estimates is the impact of the proposed enhancements outlined in the 2005 Ontario Budget.
5. Relating to qualifying Ontario Research and Development expenses.
6. Estimates are *not* net of any Crown royalties and mining taxes paid.
7. Includes the impact of the Ontario surtax on Canadian-controlled private corporations.
8. Estimates based on assessed 2003 federal tax administration data, allocated to Ontario and forecast to 2005.
9. Estimate could overstate true value as it does not reflect the future reduction in tax revenues that would occur if those losses were instead deducted from future capital gains.
10. Ontario has legislated a schedule to eliminate capital tax by 2012.
11. Estimates are forecast to the 2005 calendar year based on preliminary 2003 Ontario mining tax administration data.

CORPORATE INCOME TAX

Ontario Refundable Tax Credits

Apprenticeship Training Tax Credit — A 25% (30% for small businesses) refundable corporate/personal income tax credit for corporations and unincorporated businesses hiring apprentices prior to January 1, 2008 in industrial, construction, motive power and certain service trades.

Co-operative Education Tax Credit — A 10% (15% for small businesses) refundable corporate/personal income tax credit for corporations and unincorporated businesses hiring a co-op student.

Ontario Book Publishing Tax Credit — A 30% refundable tax credit for Ontario book publishing companies for publishing and promoting the first three literary works by a Canadian author in each eligible category of writing.

Ontario Business Research Institute Tax Credit — A 20% refundable tax credit for contract research and development (R&D) performed at eligible Ontario research institutes.

Ontario Computer Animation and Special Effects Tax Credit — A 20% refundable tax credit for digital animation and special effects in films or television productions. The credit is available in addition to Ontario's film and television tax credits.

Ontario Film and Television Tax Credit — A 20% (rate proposed to increase to 30% effective January 1, 2005 to December 31, 2009) refundable tax credit for certified domestic film and television production activity in Ontario. First-time producers are eligible for an additional 10% credit. There is a 10% bonus credit for filming outside the Greater Toronto Area.

Ontario Innovation Tax Credit — A 10% refundable tax credit for small corporations performing R&D in Ontario.

Ontario Interactive Digital Media Tax Credit — A 20% refundable tax credit for the creation, marketing and distribution of original interactive digital media products.

Ontario Production Services Tax Credit — An 11% (rate proposed to increase to 18% effective January 1, 2005 to March 31, 2006) refundable tax credit for foreign-based and non-certified domestic film and television production activity in Ontario.

Ontario Sound Recording Tax Credit — A 20% refundable tax credit for Ontario sound recording companies for producing and marketing sound recordings by an emerging Canadian artist or group.

Ontario Deductions and Exemptions

Additional Deduction for Credit Unions — A credit union may be eligible for a tax credit of up to 8.5% of its taxable income in excess of the income eligible for the small business deduction.

Assets Used to Generate Clean Energy — An immediate 100% deduction for new assets acquired before January 1, 2008 that are used to generate electricity from clean, alternative or renewable energy sources.

Manufacturing and Processing (M&P) and Resource Sector Credit — The general corporate income tax rate is reduced two percentage points to 12% for income from M&P, including income from the sale of electrical generation and from the production of steam; and farming, fishing, mining and logging.

Non-taxation of the Federal Investment Tax Credit — Federal investment tax credits earned for Scientific Research and Experimental Development incurred in Ontario are exempt from Ontario corporate income tax.

Ontario Current Cost Adjustment — An additional 30% deduction from income for acquiring new pollution control equipment.

Ontario Depletion Allowance — An additional deduction from income of a stated percentage of certain pre-1990 resource expenditures.

Ontario New Technology Tax Incentive — An immediate 100% deduction for qualifying intellectual property in a qualifying property transfer.

Ontario Political Contributions — A corporation may deduct from its taxable income certain contributions to registered Ontario political parties, constituency associations and candidates.

Ontario Resource Allowance — A deduction equal to 25% of resource profits that functions as a proxy for Crown royalties and mining taxes paid, which are not deductible for Ontario income tax purposes.

Ontario School Bus Safety Tax Incentive — An additional 30% deduction for corporations (5% refundable personal income tax credit for unincorporated businesses) for new, safer school buses acquired before January 1, 2006.

Small Business Deduction — Canadian-controlled private corporations qualify for a reduced corporate income tax rate of 5.5% on the first $400,000 of active business income. The benefit of the lower rate is generally phased out as taxable income rises to $1,128,519.

Exemptions, Deductions and Deferrals Shared with the Federal Government

Allowable Business Investment Losses — A portion of capital losses with respect to shares or debts of a small business corporation (allowable business investment losses) may be used to offset other income.

Deductibility of Charitable Donations — Donations to registered charities are deductible in computing taxable income within certain limits.

Deductibility of Gifts to the Crown — Gifts to Canada or a province are deductible in computing taxable income within certain limits.

Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land — Gifts of cultural property and ecologically sensitive land are deductible in computing taxable income within certain limits.

Deferral of Income for Farmers — Income received from herd reduction in a drought region or the statutory forced destruction of livestock can be deemed to be income in the following year. Cash purchase tickets for deliveries of grain before year-end only become income in the year the tickets are cashed.

Holdback on Progress Payments to Contractors — A contractor may exclude from taxable income the portion of progress payments (e.g., 10% to 15%) that may be held back until a project is completed satisfactorily.

Non-taxation of Non-profit Organizations — Non-profit corporations are generally exempt from income tax.

Partial Inclusion of Capital Gains — Fifty per cent of net realized capital gains are included in income. The amount of the tax expenditure is the additional tax that would have been collected had the full amount of the capital gains been included in income.

Items for Which an Estimate Is Not Available

Accelerated Writeoff of Capital Assets and Resource-related Expenditures — The difference between accelerated deductions for tax purposes (i.e., Capital Cost Allowance) and the true economic rate of depreciation based on an asset's useful life. Includes certain capital equipment for R&D and manufacturing as well as costs associated with exploration and development.

Cash-basis and Flexibility in Inventory Accounting — Corporations engaged in farming and fishing may elect to include revenues when received, rather than when earned, and deduct expenses when paid rather than when the related revenue is reported. Farmers using the cash-basis method of accounting are allowed to depart from it with respect to their inventory.

Deductibility of Countervailing and Anti-dumping Duties — Cash outlays for duties are deductible in the year they are paid even though these amounts may be refunded, in whole or in part, in a subsequent year.

Deferral Through Capital Gains Rollovers — The realization of capital gains may be deferred for tax purposes through various rollover provisions.

Deferral Through Use of Billed-basis Accounting by Professionals — In computing their income for tax purposes, professionals are allowed to elect either an accrual or billed-basis accounting method. Under the latter method, the costs of work in progress can be written off as incurred even though the associated revenues are not brought into income until the bill is paid or becomes receivable. This treatment gives rise to a deferral of tax.

Expensing of Advertising Costs — Advertising expenses are deductible on a current basis even though some of these expenditures provide a benefit in the future.

Non-taxation of Provincial, Municipal and Federal Crown Corporations — Provincial, municipal and certain federal Crown corporations are generally not subject to income tax.

Non-taxation of Registered Charities — Registered charities are generally exempt from income tax.

Tax Exemption on Income of Foreign Affiliates of Canadian Corporations — Active business income from foreign affiliates is exempt from taxation until repatriated in the form of dividends.

Taxation of Capital Gains Upon Realization — Capital gains are taxed upon the disposition of property and not on an accrual basis. This provides a tax deferral.

Capital Tax

Capital Tax Deduction — The first $7.5 million is deducted from taxable paid-up capital for purposes of calculating Ontario capital tax. The deduction will increase to $10 million on January 1, 2006, $12.5 million on January 1, 2007, and $15 million on January 1, 2008.

Deferred Mining Exploration and Development Expenses — Mining corporations may deduct the full cost of exploration and development expenses from paid-up capital.

Deferred Ontario New Technology Tax Incentive (ONTTI) and Scientific Research and Experimental Development (SR&ED) Costs — Corporations may deduct the full amount of ONTTI and SR&ED assets from paid-up capital.

Exemption for Assets Used to Generate Clean Energy — Assets used to generate electricity from clean, alternative or renewable energy sources and acquired by December 31, 2007 are exempt from capital tax.

Exemption for Family Farm Corporations, Family Fishing Corporations, Credit Unions and Other Specified Entities — Credit unions, caisses populaires, family farm corporations, fishing corporations and other specified entities are exempt from capital tax.

Small Business Investment Tax Credit for Financial Institutions — The tax credit reduces the capital tax liability of financial institutions and is available for patient capital investments in small businesses, for below-prime loans made to small businesses and for investments in Community Small Business Investment Funds.

Items for Which an Estimate Is Not Available

Renounced Mining Expenses — Mining corporations may deduct from paid-up capital exploration and development expenses renounced to individual shareholders.

Mining Tax

Mining Tax Exemption — Annual mining profits up to $500,000 are exempt from mining tax.

Mining Tax Holiday for Mines (other than remote mines) — For a period of three years, the first $10 million of profits generated by a new mine or a major expansion of an existing mine are exempt from mining tax.

Mining Tax Holiday for New Remote Mines — For a period of 10 years, the first $10 million of profits generated by a new mine opened in a remote Ontario location are exempt from mining tax.

Mining Tax Rate for Remote Mines After the 10-year mining tax holiday period ends for new remote mines, a 5% mining tax rate applies to profits from the operation of a remote mine.

Processing Allowance Mine operators that process mine output in Canada receive an allowance deduction from mining profits based on the capital cost of processing assets. The allowance can range from 8% to 20% depending on the type and location of the asset.

Items for Which an Estimate Is Not Available

Fast Writeoff of Exploration Costs Up to 100% of exploration, development and pre-production costs incurred by a mine operator in Ontario may be deducted in a taxation year.

SALES AND COMMODITY TAX

Provisions relating to sales and commodity taxes including the Land Transfer Tax, Fuel Tax, Gasoline Tax, Retail Sales Tax and Tobacco Tax are presented in Table 3.

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Land Transfer Tax	
Exemptions	
Life Leases[2]	1
Deferrals and Exemptions for Corporate Reorganizations[3]	37
Items for Which an Estimate Is Not Available	
Hospital Restructuring	
Oil/Pipeline Easements and Mineral Lands	
Other Transfers and Dispositions	
Refunds	
Refund for First-time Home Buyers[3]	35
Fuel Tax	
Exemptions/Reduced Rates	
Exemption for Biodiesel[4]	s
Exemption for Coloured Fuel[5]	420
Reduced Rate for Railway Diesel[6]	30
Refunds	
Auxiliary Power Take-off Equipment[3]	5
Gasoline Tax	
Exemptions/Reduced Rates	
Exemption for Ethanol, Methanol and Natural Gas[7]	38
Reduced Rate for Aviation Aircraft[8]	260
Reduced Rate for Propane[5]	10
Refunds	
Auxiliary Power Take-off Equipment[3]	s
Aviation Fuel[3]	s
Tax-exempt Use in Unlicensed Equipment[3]	7

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Retail Sales Tax	
Exemptions	
25¢ Coin Pay Phone Calls[2]	10
Agricultural Goods	265
Audio Books Purchased by Persons Who Are Legally Blind[2]	4
Automobile Insurance Premiums[9,10]	845
Basic Groceries	1,560
Books, Newspapers and Magazines Sold by Subscription	355
Children's Car Seats and Booster Seats[11]	4
Children's Clothing	110
Commercial Aircraft, Vessels Greater than 1,400 Cubic Metres and Commercial Vessels Less than 1,400 Cubic Metres	70
Custom Software[12]	70
Donations to Schools, Colleges and Universities[2]	6
Educational CD-ROMs and DVDs[2]	3
Energy	4,090
Feminine Hygiene Products[11]	17
Footwear Sold for $30 or Less	30
Goods Purchased for Use by Fishers and Fur-trappers	s
Individual Life and Health Insurance Premiums[10]	415
Mobile Homes	s
Municipal Fire-fighting Equipment	s
Prepared Foods Sold for $4 or Less[11]	210
Prescription Drugs and Medical Supplies	590
Production Machinery and Equipment	600
Religious Equipment	9
Repairs and Replacements Performed Under Warranty[9]	140
Seedlings	s
Services	8,930
Toll-free Telephone Services[2]	42
Transient Accommodation[13]	85
University Research Equipment	7

SALES AND COMMODITY TAX

Provisions relating to sales and commodity taxes including the Land Transfer Tax, Fuel Tax, Gasoline Tax, Retail Sales Tax and Tobacco Tax are presented in Table 3.

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Land Transfer Tax	
Exemptions	
Life Leases[2]	1
Deferrals and Exemptions for Corporate Reorganizations[3]	37
Items for Which an Estimate Is Not Available[4]	
Hospital Restructuring	
Oil/Pipeline Easements and Mineral Lands	
Other Transfers and Dispositions	
Refunds	
Refund for First-time Home Buyers[5]	35
Fuel Tax	
Exemptions/Reduced Rates	
Exemption for Biodiesel[6]	s
Exemption for Coloured Fuel[7]	420
Reduced Rate for Railway Diesel[8]	30
Refunds	
Auxiliary Power Take-off Equipment[9]	5
Gasoline Tax	
Exemptions/Reduced Rates	
Exemption for Ethanol, Methanol and Natural Gas[7]	38
Reduced Rate for Aviation Aircraft[8]	260
Reduced Rate for Propane[8]	10
Refunds	
Auxiliary Power Take-off Equipment[9]	s
Aviation Fuel[10]	s
Tax-exempt Use in Unlicensed Equipment[11]	7

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Retail Sales Tax	
Exemptions	
25¢ Coin Pay Phone Calls[2]	10
Agricultural Goods	265
Audio Books Purchased by Persons Who Are Legally Blind[3]	4
Automobile Insurance Premiums[4]	845
Basic Groceries	1,560
Books, Newspapers and Magazines Sold by Subscription	355
Children's Car Seats and Booster Seats[5]	4
Children's Clothing	110
Commercial Aircraft, Vessels Greater than 1,400 Cubic Metres and Commercial Vessels Less than 1,400 Cubic Metres	70
Custom Software[6]	70
Donations to Schools, Colleges and Universities[7]	6
Educational CD-ROMs and DVDs[8]	3
Energy	4,090
Feminine Hygiene Products[9]	17
Footwear Sold for $30 or Less	30
Goods Purchased for Use by Fishers and Fur-trappers	s
Individual Life and Health Insurance Premiums[10]	415
Mobile Homes	s
Municipal Fire-fighting Equipment	s
Prepared Foods Sold for $4 or Less[11]	210
Prescription Drugs and Medical Supplies	590
Production Machinery and Equipment	600
Religious Equipment	9
Repairs and Replacements Performed Under Warranty[12]	140
Seedlings	s
Services	8,930
Toll-free Telephone Services[13]	42
Transient Accommodation[14]	85
University Research Equipment	7

TABLE 3: SALES AND COMMODITY TAX

Tax Provisions	2005 Estimates[1] ($ millions)
Items for Which an Estimate Is Not Available	
Admissions	
Municipal, Hospital Restructuring	
Museums and Art Galleries	
Used Adult Clothing or Footwear Sold for $50 or Less by Religious, Charitable and Benevolent Organizations	
Credits/Rebates	
Rebate for Alternative Fuel Vehicles[2]	1
RST Rebate for Building Materials for Religious, Charitable and Benevolent Organizations[3]	25
Tax Credit for Fuel Conservation[14]	5
Temporary Exemption for Destination Marketing Fees[11]	2
Temporary Rebate for Building Materials Incorporated into Electricity Generating, Qualifying Nuclear and Deep Lake-water Cooling Facilities[3]	s
Temporary Rebate for Solar Energy, Wind Energy, Micro Hydro-electric and Geothermal Energy Systems[3]	s
Vendor Compensation[15]	100
Tobacco Tax	
Compensation for Tax Collectors[16]	s

Endnotes:

1. Estimates are forecast to the 2005 calendar year based on preliminary 2001 provincial Input-Output tables from Statistics Canada, unless otherwise noted.
2. Based on the Ontario Budget estimate, when the measure was proposed, projected to 2005.
3. Based on refunds filed or rebates/deferrals claimed.
4. Based on estimated amount of biodiesel sold in Ontario.
5. Based on returns filed by registered dyers.
6. Foregone revenue estimated as difference from the regular fuel tax rate.
7. Based on estimated ethanol volumes produced in and imported to Ontario.
8. Foregone revenue estimated as difference from the regular gasoline tax rate.
9. Estimates assume items would be taxed at 8% general RST rate.
10. Based on insurance premiums data provided by the Financial Services Commission of Ontario.
11. Estimates derived from consumer spending data.
12. Based on Statistics Canada Computer Software and Related Services Industry Revenue Profile.
13. The RST rate on accommodations is 5%. Foregone revenue estimated as the difference from the regular RST rate of 8%.
14. Based on new passenger vehicle sales.
15. Based on returns filed by RST vendors.
16. Based on returns filed by tobacco tax collectors.

Sales and Commodity Tax — Description of Tax Provisions

Land Transfer Tax

Exemptions

Life Leases — There is a land transfer tax (LTT) exemption for the acquisition of a unit in a non-profit or charitable life-lease development, where the unit is used as the principal residence of the owner, the owner's spouse or parent.

Deferrals and Exemptions for Corporate Reorganizations — Transfers between corporations can be made without LTT, providing the transfer is between affiliated corporations, or as part of certain corporate reorganizations, and is not registered on title.

Items for Which an Estimate Is Not Available

Hospital Restructuring — Transfers between hospitals as a result of an amalgamation or the closure/transfer of hospital programs are exempt.

Oil/Pipeline Easements and Mineral Lands — There are LTT exemptions regarding the acquisition of an easement or right of way in land for the purpose of enabling an oil or gas pipeline to be constructed/operated, and for certain acquisitions of mineral rights.

Other Transfers and Dispositions — There are LTT exemptions for certain transfers and dispositions of land, including conveyances to the Crown, transfers between spouses, and transfers of family farms or family businesses. There are also exemptions for unregistered dispositions relating to employee relocation packages, as well as for the acquisition of a *de minimus* interest in a partnership and the acquisition of a unit in a mutual fund trust.

There are also various other tax expenditures including no tax payable for a transfer of a leasehold interest in land that has an unexpired term that cannot exceed 50 years and a reduction in the value of consideration for land purchased to replace land taken under statutory authority.

Refunds

Refund for First-time Home Buyers — An LTT refund is available for first-time buyers of newly constructed homes. The maximum amount of the refund is $2,000.

FUEL TAX

Exemptions/Reduced Rates

Exemption for Biodiesel — Biodiesel is exempt from the 14.3 cents/litre tax under the *Fuel Tax Act*, regardless of whether it is mixed with diesel fuel.

Exemption for Coloured Fuel — Coloured fuel is exempt from the 14.3 cents/litre tax under the *Fuel Tax Act*. Examples of permitted coloured fuel use are operating unlicensed construction, forestry, mining, farm and other business equipment; generating electricity; use as heating, lighting or cooking fuel; and operating commercial marine vessels.

Reduced Rate for Railway Diesel — Diesel fuel used to power locomotives is taxed at the rate of 4.5 cents/litre.

Refunds

Auxiliary Power Take-off Equipment — Powering a unit from an engine that uses taxable fuel from a vehicle's tank is considered a "Power Take-off" function and qualifies for a refund of the 14.3 cents/litre fuel tax (e.g., mixer on ready-mix concrete trucks).

GASOLINE TAX

Exemptions/Reduced Rates

Exemption for Ethanol, Methanol and Natural Gas — Ethanol, methanol and natural gas are exempt from the 14.7 cents/litre gasoline tax. In the case of ethanol-gasoline blends, the ethanol portion of the blend is exempt.

Reduced Rate for Aviation Aircraft — Aviation fuel purchased or delivered in Ontario, or transferred into fuel tanks of an aircraft in Ontario, is taxed at the rate of 2.7 cents/litre.

Reduced Rate for Propane — Propane is taxed at the rate of 4.3 cents/litre.

Refunds

Auxiliary Power Take-off Equipment — Powering a unit from an engine that uses gasoline from a vehicle's tank is considered a "Power Take-off" function and qualifies for a refund of the 14.7 cents/litre gasoline tax.

Aviation Fuel — Aviation fuel used for technical stops refuelling at Ottawa International Airport is eligible for a refund of the 2.7 cents/litre aviation fuel tax.

Tax-exempt Use in Unlicensed Equipment — Any equipment or vehicle that is not licensed or required to be licensed under the *Highway Traffic Act* and operated in Ontario by any business, industry or institution (excluding recreational use) may qualify for a refund of gasoline and/or propane tax. Examples of equipment for which a refund may be claimed include unlicensed farming, construction and forestry equipment, and boats used in business operations such as commercial or construction boats.

Retail Sales Tax

Exemptions

25¢ Coin Pay Phone Calls — An RST exemption applies to the 25¢ charge for local telephone calls made by depositing coins into pay telephones.

Agricultural Goods — RST exemptions are provided for a wide range of agricultural products and goods used in the agricultural industry.

Audio Books Purchased by Persons Who Are Legally Blind — Audio books can be purchased exempt from RST by or for a person who is legally blind, as identified by a Canadian National Institute for the Blind membership card.

Automobile Insurance Premiums — Auto insurance premiums are exempt from RST.

Basic Groceries — Groceries exempt from RST include the majority of food products for preparation and consumption at home, as well as vitamins and minerals. Tax is charged on soft drinks, candies and confections, certain snack foods and alcoholic beverages.

Books, Newspapers and Magazines Sold by Subscription — Books published solely for educational, technical, cultural or literary purposes and containing no third-party advertising are exempt. Exempt newspapers include unbound printed publications that are usually issued daily or weekly, and contain news, advertising and literary matter. Exempt magazines include those that are sold by subscription and that are printed bound publications issued annually or more frequently and that contain articles from various identified contributors and may also contain pictures and advertising. This exemption also pertains to newsletters and to publications produced or purchased by religious, charitable or benevolent organizations. The 2005 Ontario Budget proposed that the RST exemption for publications produced or purchased by religious, charitable or benevolent organizations be extended to include CD-ROMs and DVDs used to promote the objectives of the organization.

Children's Car Seats and Booster Seats — Car seats intended to secure children within a motor vehicle and that meet prescribed federal government standards are exempt. The 2005 Ontario Budget proposed that the exemption be extended to include booster seats.

Children's Clothing — Clothing, in sizes up to and including girls' Canada Standard Size 16 and boys' Canada Standard Size 20, or clothing designed for girls or boys and sized small, medium or large, is exempt from RST. Diapers are also included in the exemption.

Commercial Aircraft, Vessels Greater than 1,400 Cubic Metres, and Commercial Vessels Less than 1,400 Cubic Metres — Commercial air and water transportation equipment generally capable of interjurisdictional travel is exempt.

Custom Software — Custom computer programs are exempt from RST. Custom computer programs are those that are designed and developed solely to meet the specific requirements of, and that are intended for the exclusive use of, a particular person. This includes computer programs that are modified to meet the specific requirements of a particular person where the price of the modification is greater than the cost of the pre-written program if sold separately, or if sold together, the price for the modified program is more than 200% of the unmodified program.

Donations to Schools, Colleges and Universities — Gifts to schools, colleges and universities are exempt from RST.

Educational CD-ROMs and DVDs — CD-ROMs purchased by schools, school boards, community colleges, universities and public libraries are exempt from RST. The 2005 Ontario Budget proposed that the exemption be extended to include educational DVDs, provided they will not be used for commercial exhibition for profit.

Energy — Forms of energy exempt from RST include electricity, home heating fuels, cooking fuels, wood, coal, coke and energy sources taxed under other Acts.

Feminine Hygiene Products — Sanitary pads, sanitary belts and tampons are exempt from RST.

Footwear Sold for $30 or Less — Regardless of size, individual footwear sold for $30 or less per pair is exempt.

Goods Purchased for Use by Fishers and Fur-trappers — RST exemptions are provided for a number of goods used by persons engaged in the business of fishing or fur-trapping.

Individual Life and Health Insurance Premiums RST does not apply to premiums for individual life and health insurance.

Mobile Homes Mobile homes are taxed at 8% on 50% of the dealer's selling price and modular homes at 8% on 55% of the manufacturer's selling price to the dealer. Mobile and modular homes eligible for exemption are those that are built to CSA Z240 standards and represent an alternate form of "home building" intended for permanent placement on a site.

Municipal Fire-fighting Equipment Fire-fighting vehicles when purchased at a price of more than $1,000 per vehicle for the exclusive use of a municipality, university, public hospital, local services board or volunteer group, and repair parts for such vehicles, are exempt from RST.

Prepared Foods Sold for $4 or Less Tax applies to all prepared foods, including takeout, with the exception of prepared foods for which the total charge is $4 or less.

Prescription Drugs and Medical Supplies A variety of drugs, medicines and medical supplies used to treat or cope with an illness, chronic disease or physical disability are exempt from RST. This exemption may be conditional upon prescription by an authorized health care practitioner (e.g., prescription drugs, optical devices); purchase by a hospital or other health care facility for patient care (e.g., specialized beds, medical supplies, medical equipment); or goods designed solely for dealing with a particular condition and thus specifically exempted within the *Retail Sales Tax Act* (e.g., artificial limbs, orthopedics, other equipment or animals for persons with physical disabilities).

Production Machinery and Equipment Machinery, equipment and other apparatus used primarily and directly in the manufacturing or production of tangible personal property are exempt. Ontario also exempts consumables and processing materials; R&D equipment for manufacturers and non-profit medical R&D equipment; explosives and refractory materials; plans and drawings; and typesetting, artwork and similar materials.

Religious Equipment Equipment used by a religious institution exclusively in that part of its premises where religious worship or sabbath school is regularly conducted (e.g., altars, baptismal fonts, linens, organs, pulpits, stained glass) is exempt.

Repairs and Replacements Performed Under Warranty Parts and labour used to carry out repairs under warranty are exempt from RST.

Seedlings Cones, cuttings, seeds, seedlings, similar planting stock and other such silvicultural material when purchased for planting in a Crown forest, by a person

holding a subsisting forest resource licence issued by the Ministry of Natural Resources, are exempt.

Services — Services are generally exempt except for a number of specifically such as telecommunications, repair and maintenance labour, and parking.

Toll-free Telephone Services — Toll-free telephone services can be bought exempt any commercial, industrial, institutional, vocational, occupational or other organization for business use. Toll-free telephone services include telephone numbers beginning with 1-800, 1-888, 1-877, 1-866, etc.

Transient Accommodation — Purchasers of transient accommodation (lodging in hotels, motels, hostels, apartment houses, clubs and other similar accommodation for periods of less than one month) pay tax at the rate of 5%.

University Research Equipment — Equipment purchased by the governing body of a university that is designed for use, and used exclusively in research and investigation, and repair parts for that equipment are exempt from RST.

Items for Which an Estimate Is Not Available

Admissions — All admissions $4 and under are exempt. In addition, a number of special exemptions are provided, including admissions to live theatrical or musical performances in places of amusement where 90% of the performers are permanent residents of Canada; admissions to live events (e.g., plays, ballets, concerts, operas) held at theatres with 3,200 seats or less; events such as trade shows that are restricted to members of specified organizations and not advertised as being open to the general public; fund-raising events where no performer is paid or receives any other consideration for performing; and events held or sponsored by federally registered Canadian amateur athletic associations and their affiliates, federally registered charitable groups, labour unions and benevolent and fraternal societies, agricultural societies operating a place of amusement during an agricultural fair, or recognized educational institutions.

Municipal, Hospital Restructuring — Sales tax is not payable by a municipality or public hospital on the acquisition of tangible personal property from another municipality or hospital as part of a statutory restructuring, legally required amalgamation or closure of a hospital or hospital program.

Museums and Art Galleries — Museums and art galleries that are more than 50% funded by public donations and grants by public bodies may purchase works of art exempt of sales tax.

Used Adult Clothing or Footwear Sold for $50 or Less by Religious, Charitable and Benevolent Organizations — The sale of used clothing and footwear by a religious, charitable or benevolent organization, where the clothing and footwear are sold in one transaction for $50 or less, is exempt from RST.

Rebates

Rebate for Alternative Fuel Vehicles — The RST paid on vehicles powered by alternative fuels is refunded, to a maximum of $750 for propane vehicles and $1,000 for vehicles powered by any other alternative fuel. Certain hybrid electric passenger vehicles are also eligible for the rebate.

RST Rebate for Building Materials for Religious, Charitable and Benevolent Organizations — The Minister may rebate to the governing body of a religious, charitable or benevolent organization the RST inherently paid on building materials used in the construction or repair of real property owned by or under lease for a minimum of 20 years to the organization.

Tax Credit for Fuel Conservation — A $100 RST credit, the Tax Credit for Fuel Conservation, is available to purchasers of a new passenger automobile that consumes less than six litres of fuel per 100 kilometres of highway driving.

Temporary Exemption for Destination Marketing Fees — There is an RST exemption for Destination Marketing Fees (DMFs) charged on transient accommodation on or after May 19, 2004 and on or before May 18, 2005. The 2005 Ontario Budget proposed that the exemption be extended to include DMFs billed on or before June 30, 2006.

Temporary Rebate for Building Materials Incorporated into Electricity Generating, Qualifying Nuclear and Deep Lake-water Cooling Facilities — A rebate is available for RST paid on building materials purchased and incorporated into eligible electricity generating facilities or deep lake-water cooling facilities on or after November 26, 2002 and on or before December 31, 2007. The rebate is also available for building materials purchased and incorporated into qualifying nuclear facilities on or after June 2, 2003 and on or before December 31, 2007. The rebate applies to new facilities as well as upgrades and expansions of existing facilities.

Temporary Rebate for Solar Energy, Wind Energy, Micro Hydro-electric and Geothermal Energy Systems — A rebate is available for RST paid on the purchase of a new solar energy system installed into a residential premises, including a multi-residential building, or on any expansion or upgrade to an existing solar energy system. Systems must be purchased and incorporated on or after November 26, 2002 and on or before November 25, 2007. The 2004 Ontario Budget extended the rebate

to include wind energy, micro hydro-electric and geothermal energy systems, or any expansion or upgrade to those systems, purchased and incorporated into a residential premises, including a multi-residential building, on or after March 28, 2003 and on or before November 25, 2007.

Vendor Compensation — Compensation is given to vendors for collecting RST on behalf of the Province. Compensation is based on the amount of RST collected on sales for the period. The maximum amount that can be claimed in compensation is $1,500 for a 12-month period from April 1 to March 31.

Tobacco Tax

Compensation for Tax Collectors — Those who collect tobacco tax may be paid the lesser of $2,000 or 4% of the tax collected from April 1 to March 31 annually. For tax increases, wholesalers may claim 5% of the tax differential when required to conduct an inventory by the minister.

Education Property Tax

Table 4 provides estimates of tax provisions relating to the Education Property Tax system.

Table 4: Education Property Tax[1]

Tax Provisions	2005 Estimates[2] ($ millions)
Brownfields Financial Tax Incentive Program	s
Charity Rebate	6
Conservation Land Property Tax Exemption Program	2
Eligible Convention Centres Exemption	1
Eligible Live Performance Theatres Exemption	8
Farm Property Class Tax Rate Reduction	70
Farmlands Awaiting Development Sub-Class Tax Rate Reduction	1
Heritage Property Tax Rebate	s
Managed Forest Tax Incentive Program	2
Seniors and Persons with Disabilities Property Tax Relief[3]	s
Tax Exemptions Under Private Statutes	6
Vacant Commercial and Industrial Unit Rebate	35
Vacant Land and Excess Land Sub-Class Tax Rate Reduction	55
Items for Which an Estimate Is Not Available	
Other Tax Exemptions Under Public Statutes[4]	
Discretionary exemptions granted by municipalities to special purpose properties (e.g., legions, navy leagues, municipal capital facilities)	
Mandatory exemptions granted to special purpose/institutional properties (e.g., places of worship, cemeteries, The Boy Scouts Association of Canada and The Canadian Girl Guides Association, Canadian Red Cross, St. John Ambulance and charitable, non-profit philanthropic corporations organized for the relief of the poor and supported in part by public funds)	
Relief from Property Taxes That Are Unduly Burdensome for Residential, Farm or Managed Forest Properties	

Endnotes:

1. Expenditures related to provincial land taxes or payments made in lieu of taxes have not been included.
2. Estimates based on 2005 education tax rates, 2005 Assessment Roll, 2004 Municipal Financial Information Returns where available, otherwise 2003 Municipal Financial Information Returns and municipal tax policies.
3. Estimate does not include expenditures due to the exemption from taxation on 10% of the assessment of improvements to accommodate seniors and persons with disabilities in newly built homes or the expenditure on such improvements in existing homes.
4. See description for a detailed list of special purpose/institutional properties subject to discretionary or mandatory exemption.

EDUCATION PROPERTY TAX — DESCRIPTION OF TAX PROVISIONS

Brownfields Financial Tax Incentive Program — Municipalities may freeze or cancel the taxes on eligible brownfields properties for a defined period, and the Province may provide matching relief from education tax.

Charity Rebate — Municipalities must rebate a minimum of 40% of the municipal and education taxes paid by charities in the commercial and industrial property classes, and may rebate any amount of property taxes paid by charities in other property classes. Municipalities may also rebate any percentage of the municipal and education taxes paid by non-profit organizations.

Conservation Land Property Tax Exemption Program — Eligible conservation lands are exempt from municipal and education property taxes.

Eligible Convention Centres Exemption — Eligible large, privately owned convention centres are exempt from education property taxes.

Eligible Live Performance Theatres Exemption — Eligible theatres for live performances are exempt from municipal and education property taxes.

Farm Property Class Tax Rate Reduction — Eligible farm properties are subject to residential education property tax rates reduced by 75%. For municipal purposes, these properties are subject to residential property tax rates reduced by a locally determined amount of at least 75%.

Farmlands Awaiting Development Sub-Class Tax Rate Reduction — Eligible farmlands awaiting development may receive a locally determined reduction from the otherwise applicable tax rates.

Heritage Property Tax Rebate — Municipalities may adopt a program to reduce the municipal and education property taxes of eligible heritage properties by up to 40%.

Managed Forest Tax Incentive Program — Eligible managed forest properties are subject to residential property tax rates for municipal and education purposes that are reduced by 75%.

Seniors and Persons with Disabilities Property Tax Relief — Expenditures under this category include locally determined municipal and education property tax relief in the form of reduced, cancelled or deferred reassessment-related tax increases

on residential properties of low-income seniors and persons with disabilities; the exemption from property taxation of improvements to an existing home to accommodate seniors or persons with disabilities; and the exemption from taxation on 10% of the assessment of newly built homes that provide accommodation to seniors and persons with disabilities.

Tax Exemptions Under Private Statutes Property tax exemptions have been granted through private statutes to various cultural, heritage, recreational and community service organizations (e.g., YMCAs).

Vacant Commercial and Industrial Unit Rebate Municipalities must rebate from 30% to 35% of the municipal and education property taxes paid with respect to vacant commercial and industrial buildings or portions of buildings (if vacancy exceeds 90 consecutive days).

Vacant Land and Excess Land Sub-Class Tax Rate Reduction Municipal and education property tax rates on vacant and excess lands in the commercial and industrial property classes are reduced by 30% to 35% of the otherwise applicable class tax rates.

Items for Which an Estimate Is Not Available

Other Tax Exemptions Under Public Statutes:

(1) Discretionary exemptions granted by municipalities to special purpose properties include:

- Properties used and occupied as memorial homes, clubhouses or athletic grounds by veterans of the Canadian or Allied Armed Forces;
- Properties owned by the Navy League of Canada and used and occupied solely for the purposes of carrying out the activities of the Ontario division of the Navy League;
- Municipal capital facilities operated by private-sector partners and used for municipal purposes. Examples of such facilities could include ice rinks, community centres and municipal housing project facilities; and
- Properties occupied by not-for-profit hospital service corporations for providing laundry and/or food services.

(2) Mandatory exemptions granted to special purpose/institutional properties include:

- Places of worship that are owned by a church or religious organization, including 50% of the principal residence of the clergy;
- Cemeteries and burial sites;

- Land owned, used and occupied solely by a non-profit philanthropic, religious or educational seminary of learning;
- Land owned by a municipality (but not if occupied by a taxable tenant);
- Property owned, occupied and used solely by The Boy Scouts Association of Canada or The Canadian Girl Guides Association;
- Land owned, used and occupied by a non-profit philanthropic corporation for the purpose of a house of refuge;
- Land owned, used and occupied by the Canadian Red Cross, St. John Ambulance, or a charitable, non-profit philanthropic corporation organized for the relief of the poor that is supported in part by public funds;
- The property of a children's aid society if used exclusively for the purposes of and in connection with the society;
- The property of scientific and literary institutions including public libraries and agricultural societies to the extent that it is occupied for the purposes of the society;
- Battle sites; and
- Exhibition sites (extent determined by municipal bylaw).

Relief from Property Taxes That Are Unduly Burdensome — Municipalities may reduce municipal property taxes where they are determined to be unduly burdensome to the owner of property in the residential, farm or managed forest property classes. Education taxes are reduced in the same proportion as municipal taxes.

EMPLOYER HEALTH TAX

The following table provides an estimate of the tax exemption under the 2005 Employer Health Tax system.

TABLE 5: EMPLOYER HEALTH TAX (EHT)

Tax Provisions	2005 Estimates ($ millions)
$400,000 Exemption for Private-sector Employers[1]	575

Endnote:

1. Estimate is forecast to the 2005 calendar year based on 1996 and 2003 EHT-filer data.

EMPLOYER HEALTH TAX

$400,000 Exemption for Private-sector Employers — The Employer Health Tax is payable by all Ontario employers. Private-sector employers are exempt from tax on the first $400,000 of annual total Ontario remuneration.

ESTATE ADMINISTRATION TAX

Table 6 provides an estimate of the 2005 exemption under the Estate Administration Tax.

TABLE 6: ESTATE ADMINISTRATION TAX

Tax Provisions	2005 Estimates ($ millions)
Exemption Where the Value of the Estate Does Not Exceed $1,000	s

ESTATE ADMINISTRATION TAX

Exemption Where the Value of the Estate Does Not Exceed $1,000 — The Estate Administration Tax is payable by the estate of a deceased person immediately upon the issuance of an estate certificate. If the value of the estate does not exceed $1,000, the estate is exempt from tax.

GROSS REVENUE CHARGE

Table 7 provides an estimate of the tax provision under the Gross Revenue Charge.

TABLE 7: GROSS REVENUE CHARGE (GRC) [1]

Tax Provisions	2005 Estimates[2] ($ millions)
Gross Revenue Charge 10-year Holiday	s

Endnotes:

1. Expenditure does not include the provincial water rental portion of the GRC.
2. 2005 estimate based on 2003 GRC returns.

GROSS REVENUE CHARGE

Gross Revenue Charge (GRC) – The GRC is paid with respect to hydro-electric generating sites, replacing municipal and education property taxes and provincial water rental charges. A 10-year holiday from the GRC is provided for eligible new, expanded and redeveloped hydroelectric generating stations.

ANNEX IV

BORROWING AND DEBT MANAGEMENT

LONG-TERM PUBLIC BORROWING

The objective of Ontario's borrowing program is to finance the cash requirements of the Province and the Ontario Electricity Financial Corporation (OEFC) in a timely and cost-effective manner. The Province employs a variety of financing and hedging instruments in domestic and international capital markets to meet its annual borrowing requirement.

The borrowing program is focused on the domestic market, but also diversifies funding sources by accessing international markets. A flexible borrowing approach is used to respond to investor preferences and also aims to smooth the debt maturity profile by scheduling maturities into years that currently have lower levels of maturing debt.

A glossary of terms used in this Annex is included at the end.

2005-06 BORROWING PROGRAM: PROVINCE AND OEFC ($ BILLIONS)

		2005-06		
	Actual 2004-05	Budget Plan	Current Outlook*	In-Year Change
Deficit/(Surplus)	1.6	2.8	2.4	(0.4)
Adjustments for:				
Non-Cash Items Included in Deficit	(1.0)	2.3	2.2	(0.1)
Amortization of Major Tangible Capital Assets	(0.8)	(0.8)	(0.8)	–
Acquisitions of Major Tangible Capital Assets	1.4	1.8	1.8	–
Debt Maturities	15.3	20.5	20.5	–
Debt Redemptions	1.4	0.7	0.7	–
Canada Pension Plan Borrowing	(1.0)	(1.2)	(1.0)	0.2
Increase/(Decrease) in Cash and Cash Equivalents	–	–	–	–
Pre-Funding for 2005-06	6.2	–	–	–
Decrease/(Increase) in Short-Term Borrowing	0.4	–	(1.0)	(1.0)
Other Uses/(Sources) of Cash	1.4	1.1	2.1	1.0
Total Long-Term Public Borrowing Requirement	**24.8**	**27.2**	**26.9**	**(0.3)**

*Second-quarter fiscal forecast as at September 30, 2005. If the reserve is not required this year, the deficit is projected to be $1.4 billion.
Note: Numbers may not add due to rounding.

Borrowing Program Status* ($ Billions)	Completed	Remaining	Total
Province	15.7	8.7	24.4
OEFC	1.4	1.1	2.5
Total	**17.1**	**9.8**	**26.9**

*As at October 19, 2005.

The Total Long-Term Public Borrowing Requirement for the Province and OEFC in 2005-06 is projected at $26.9 billion, down from $27.2 billion in the Budget Plan. This amount includes $20.5 billion of Debt Maturities, $0.7 billion of Debt Redemptions and $2.4 billion from the Deficit.

The decrease in the Total Long-Term Public Borrowing Requirement is mainly due to the decline in the Deficit and the Adjustments for Non-Cash Items Included in Deficit, offset by the decline in Canada Pension Plan borrowing.

The increase in other Uses/(Sources) of Cash is mainly attributable to projected short-term loans to the Ontario Power Authority (OPA) to bridge the timing of their cash-flow requirements. This amount is being financed through short-term borrowing.

The Ontario Financing Authority (OFA) completed $16.8 billion of the Total Long-Term Public Borrowing Requirement during the first half of the fiscal year. As of October 19, 2005, an additional $0.3 billion was borrowed in the long-term markets, for a total of $17.1 billion. This includes pre-borrowing of $6.2 billion undertaken during 2004-05. Nearly 64 per cent of the Province's 2005-06 program has been completed.

The domestic market has been the main source of funding in 2005-06, providing a total of $13.8 billion through a number of instruments, including:

- Syndicated issues;
- Medium-Term Notes;
- Floating Rate Notes;
- Ontario Savings Bonds; and
- Real Return Bonds.

On September 28, 2005, the Province successfully launched its first Real Return Bond (RRB) issue. RRBs pay investors a rate of return that is adjusted for inflation using the Canadian Consumer Price Index (CPI). The Province issued the RRB at a real rate below two per cent compared to an average over the past five years of 2.8 per cent and a high of 3.8 per cent for Government of Canada RRBs. Due to strong demand from institutional

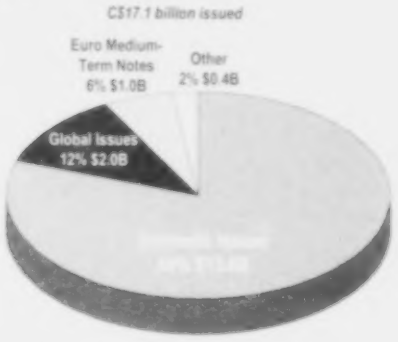
investors, the Province was able to increase the issue amount from $250 million to $700 million.

The RRB was issued on behalf of OEFC to replace an existing liability that pays 3.25 per cent over the Ontario CPI. This will save OEFC over $9 million annually.

While the majority of the borrowing has been completed in the domestic market, the Province has also successfully issued in the international capital markets including:

- Global bonds denominated in U.S. and New Zealand dollars.
- Euro Medium-Term Notes in Canadian and Australian dollars, Swiss francs and South African rand — the first by any Canadian province.

Borrowing – All Markets



Source: Ontario Financing Authority (October 19, 2005)

To date, the Province has borrowed $3.0 billion, or nearly 18 per cent of its long-term borrowing program, in international markets, compared to 29 per cent in fiscal 2004-05 and 26 per cent in fiscal 2003-04.

investors, the Province was able to increase the issue amount from $250 million to $700 million.

The RRB was issued on behalf of OEFC to replace an existing liability that pays 3.25 per cent over the Ontario CPI. This will save OEFC over $9 million annually.

While the majority of the borrowing has been completed in the domestic market, the Province has also successfully issued in the international capital markets including:

- Global bonds denominated in U.S. and New Zealand dollars.
- Euro Medium-Term Notes in Canadian and Australian dollars, Swiss francs and South African rand — the first by any Canadian province.

To date, the Province has borrowed $3.0 billion, or nearly 18 per cent of its long-term borrowing program, in international markets, compared to 29 per cent in fiscal 2004-05 and 26 per cent in fiscal 2003-04.

MEDIUM-TERM BORROWING OUTLOOK

MEDIUM-TERM BORROWING PROGRAM OUTLOOK: PROVINCE AND OEFC*
($ BILLIONS)

	2006-07	2007-08	2008-09
Deficit/(Surplus)	2.4	1.5	–
Adjustments for:			
Non-Cash Items Included in Deficit	1.2	1.7	1.4
Amortization of Major Tangible Capital Assets	(0.9)	(1.0)	(1.0)
Acquisitions of Major Tangible Capital Assets	2.2	2.4	2.2
Debt Maturities			
Currently Outstanding	14.5	12.9	19.5
Incremental Impact of Future Refinancing	–	1.5	2.1
Subtotal	14.5	14.4	21.6
Debt Redemptions	0.7	0.7	0.7
Canada Pension Plan Borrowing	(0.4)	(0.4)	(0.6)
Increase/(Decrease) in Cash and Cash Equivalents	–	–	–
Decrease/(Increase) in Short-Term Borrowing	1.0	–	–
Other Uses/(Sources) of Cash	(0.9)	0.2	0.5
Total Long-Term Public Borrowing Requirement	**19.9**	**19.5**	**24.8**

* Second-quarter fiscal forecast as at September 30, 2005. If the reserve is not required in 2006-07, the deficit would fall to $0.9 billion. The deficit would be eliminated in 2007-08 if the reserve is also not required in that year.
Note: Numbers may not add due to rounding.

Refinancing maturing debt remains the primary component of the 2006-07 to 2008-09 Medium-Term Borrowing Outlook. Debt Maturities for the Province and OEFC are projected at $14.5 billion in 2006-07, $14.4 billion in 2007-08 and $21.6 billion in 2008-09.

In managing the borrowing program, the OFA will maintain a flexible financing approach and monitor domestic and international bond markets continuously, seeking out the most cost-effective borrowing opportunities.

The OFA will also continue to aim for a balanced maturity profile and take advantage of opportunities to schedule maturities into years that currently have lower levels of maturing debt.

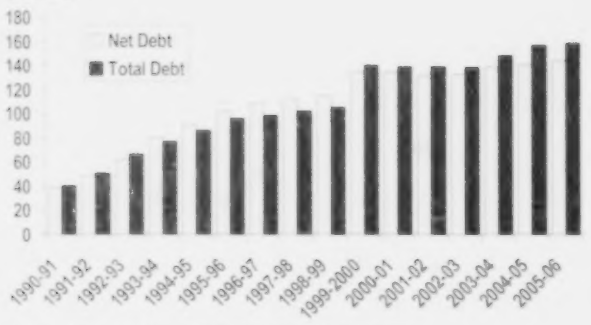
DEBT

The Province's Total Debt is $156.9 billion as of September 30, 2005. Total Debt is projected at $158.7 billion as of March 31, 2006.

Ontario's Net Debt, the difference between total liabilities and total financial assets of the Province, was $140.7 billion as of March 31, 2005 and is projected at $144.0 billion as of March 31, 2006.

Debt

($ Billions)



Source: Ontario Public Accounts 1991-2005, Ontario Ministry of Finance, Ontario Financing Authority (September 30, 2005).

The Ontario Strategic Infrastructure Financing Authority's (OSIFA) debt of $1.3 billion, as of September 30, 2005, is included in the Province's Total Debt, but not in the Province's Net Debt, as OSIFA's debt is offset by net assets of $1.3 billion. OSIFA's debt is not guaranteed by the Province.

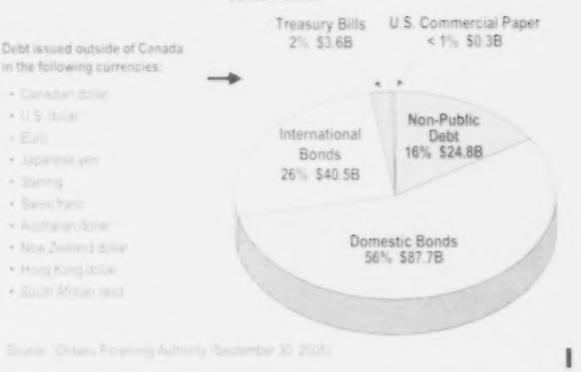
TOTAL DEBT COMPOSITION

Total Debt of $156.9 billion as of September 30, 2005 is composed of bonds and debentures issued in both the short- and long-term public capital markets and non-public debt held by certain federal and provincial public-sector pension plans and government agencies.

As of September 30, 2005, public debt totalled $132.1 billion, primarily consisting of bonds issued in the domestic and international long-term public markets in 10 currencies. Ontario also had $24.8 billion outstanding in non-public debt issued in Canadian dollars.

Total Debt Composition

C$156.9 billion



Source: Ontario Financing Authority (September 30, 2005).

DEBT MANAGEMENT

The Province mitigates financial risks associated with its capital market activities by adhering to prudent risk management policies and exposure limits.

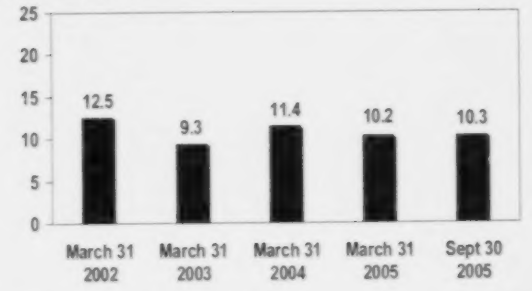
The Province limits itself to a maximum interest rate reset exposure of 25 per cent of debt issued for Provincial purposes and a maximum foreign exchange exposure of five per cent of debt issued for Provincial purposes.

The Province's interest rate reset and foreign exchange exposures have remained well below policy limits during the first half of 2005-06.

In fiscal 2004-05, the OFA's cost-effective management of the borrowing program, debt portfolio and short-term investments contributed $150.2 million in savings relative to the OFA's benchmarks, thereby lowering interest on debt.

Interest Rate Reset Exposure

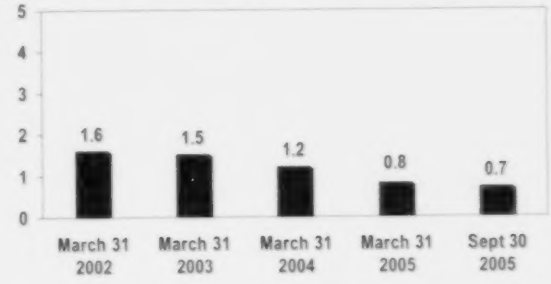
Percentage of Debt Issued for Provincial Purposes



Source: Ontario Financing Authority (September 30, 2005). Excludes OEFC debt.

Foreign Exchange Exposure

Percentage of Debt Issued for Provincial Purposes



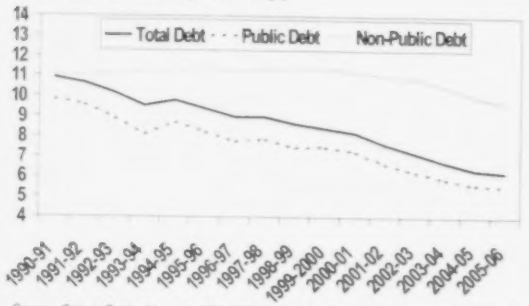
Source: Ontario Financing Authority (September 30, 2005). Excludes OEFC debt.

COST OF DEBT

As of September 30, 2005, the effective interest rate on Total Debt (on a weighted-average basis) was 6.2 per cent compared to 6.4 per cent on March 31, 2005 and 10.9 per cent on March 31, 1991.

The effective interest rate on public debt as of September 30, 2005 was 5.6 per cent, compared to 9.7 per cent on non-public debt. As of March 31, 2005, the effective interest rate on public debt was 5.7 per cent and 10.0 per cent on non-public debt.

Effective Interest Rate (Weighted Average) of Debt



Source: Ontario Public Accounts 1991-2005 and Ontario Financing Authority (September 30, 2005)

Glossary of Financial Terms Described in Annex IV

Amortization of Major Tangible Assets: the allocation to expenditure of the amortization cost of major tangible assets acquired in the current and prior years but not yet fully amortized.

Acquisitions of Major Tangible Capital Assets: the cost of purchasing or building major tangible assets owned by the Province, including land, buildings, highways and bridges during the year.

Canada Pension Plan Borrowing: the Province has the option of borrowing from the Canada Pension Plan as a source of long-term borrowing.

Debt Maturities: total forecasted amount of debt including debt with early retirement features that will be due for repayment in the fiscal year (excludes Treasury Bills and other short-term obligations).

Debt Redemptions: total forecasted amount of variable and step-up Ontario Savings Bonds expected to be redeemed in the fiscal year.

Domestic Bonds: debt securities issued in the domestic market, clearing through the domestic clearing system.

Euro Medium-Term Notes (EMTNs): issued outside the United States and Canada and structured to meet individual investor requirements.

Floating Rate Notes (FRNs): debt instruments that bear a variable rate of interest. Coupons are linked to a floating interest rate index, and pay out at a predetermined yield spread to the index.

Global Bonds: debt securities issued simultaneously in the international and domestic markets, settling through various worldwide clearing systems. These can be issued in a variety of currencies including Canadian and U.S. dollars.

Increase/(Decrease) in Cash and Cash Equivalents: the change in cash and other short-term liquid instruments.

Medium-Term Notes (MTNs): debt instruments offered under a registered program and structured to meet specific investor needs.

Non-Cash Items Included in Deficit: adjustments to the Deficit (reported on an accrual basis) to determine cash flows to be used in operating activities. Non-cash adjustments include revenues that are earned but not received and/or expenses that were recognized but cash was not paid during the fiscal year.

Pre-funding: borrowing undertaken in the present fiscal year for borrowing requirements in the next fiscal year.

Real Return Bonds (RRBs): debt securities that pay investors a rate of return that is adjusted for inflation using the Canadian Consumer Price Index (CPI).

Swap: a legal arrangement, the effect of which is that each of the parties (the counterparty) takes responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest payments or vice versa. A cross-currency swap exchanges principal and interest payments in one currency for cash flows in another currency.

Syndicated Issues: debt securities that are underwritten by a group of investment dealers.

Treasury Bills: short-term debt instruments issued by governments on a discount basis usually for durations of 91 days, 182 days or 52 weeks.

U.S. Commercial Paper (CP): short-term debt typically issued by a government or corporation on a discount basis. CP is limited to terms of 1 to 270 days.

ANNEX V

FISCAL TABLES AND GRAPHS

Medium-Term Fiscal Plan and Outlook ($ Billions)

Table 1

	Actual	Outlook*			
	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue	**77.8**	**82.1**	**84.8**	**88.5**	**92.2**
Expense					
Programs	67.0	71.3	73.4	76.0	77.9
Capital	3.0	2.7	2.5	2.1	2.1
Interest on Debt	9.4	9.6	9.9	10.3	10.7
Total Expense	**79.4**	**83.5**	**85.7**	**88.5**	**90.7**
Surplus/(Deficit) Before Reserve	**(1.6)**	**(1.4)**	**(0.9)**	**0.0**	**1.5**
Reserve	**–**	**1.0**	**1.5**	**1.5**	**1.5**
Surplus/(Deficit)	**(1.6)**	**(2.4)**	**(2.4)**	**(1.5)**	**0.0**
Net Debt†	140.7	144.0	147.7	150.7	151.8
Accumulated Deficit†	125.7	128.1	130.5	132.0	132.0
Gross Domestic Product (GDP) at Market Prices	516.8	538.0	562.2	589.2	618.7
Net Debt as a per cent of GDP	27.2	26.8	26.3	25.6	24.5
Accumulated Deficit as a per cent of GDP	24.3	23.8	23.2	22.4	21.3

* Second-quarter fiscal forecast as at September 30, 2005.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Numbers may not add due to rounding.

2005-06 Fiscal Outlook—In-Year Change ($ Millions)

Table 2

	Budget Plan	Outlook*	In-Year
	2005-06	2005-06	Change
Revenue	**81,687**	**82,132**	**445**
Expense			
Programs	71,014	71,257	243
Capital	2,673	2,673	–
Interest on Debt	9,796	9,571	(225)
Total Expense	**83,483**	**83,501**	**18**
Surplus/(Deficit) Before Reserve	**(1,796)**	**(1,369)**	**427**
Reserve	1,000	1,000	–
Surplus/(Deficit)	**(2,796)**	**(2,369)**	**427**

* Second-quarter fiscal forecast as at September 30, 2005.

Source: Ontario Ministry of Finance.

REVENUE
($ MILLIONS)

TABLE 3

	2001-02	2002-03	2003-04	Actual 2004-05	Outlook* 2005-06
Taxation Revenue					
Personal Income Tax	19,097	18,195	18,301	19,320	20,251
Retail Sales Tax	13,803	14,183	14,258	14,855	15,475
Corporations Tax	6,646	7,459	6,658	9,883	9,488
Employer Health Tax	3,502	3,589	3,753	3,886	4,033
Ontario Health Premium	–	–	–	1,737	2,422
Gasoline Tax	2,192	2,306	2,264	2,277	2,288
Fuel Tax	659	682	681	727	733
Tobacco Tax	703	1,183	1,350	1,453	1,511
Land Transfer Tax	665	814	909	1,043	1,056
Electricity Payments-In-Lieu of Taxes	387	711	627	511	656
Other Taxes	371	429	347	283	258
	48,025	**49,551**	**49,148**	**55,975**	**58,171**
Government of Canada**					
Canada Health and Social Transfer (CHST)	5,831	7,346	7,345	–	–
Canada Health Transfer (CHT)	–	–	–	5,640	7,127
Canada Social Transfer (CST)***	–	–	–	2,912	3,311
CHST Supplements	380	191	577	775	584
Social Housing	524	525	528	522	520
Infrastructure Programs	–	97	150	209	293
Wait Times Reduction Fund	–	–	–	242	243
Medical Equipment Funds	190	–	192	387	194
Other Government of Canada	829	735	1,101	1,195	901
	7,754	**8,894**	**9,893**	**11,882**	**13,173**
Income from Investment in Government Business Enterprises					
Ontario Lottery and Gaming Corporation	2,255	2,288	2,106	1,992	1,941
Liquor Control Board of Ontario	904	939	1,045	1,147	1,186
Ontario Power Generation Inc. and Hydro One Inc.	179	717	(17)	444	887
Other Government Enterprises	7	(2)	(64)	(5)	5
	3,345	**3,942**	**3,070**	**3,578**	**4,019**
Other Non-Tax Revenue					
Reimbursements	1,592	1,111	1,206	1,241	1,319
Electricity Debt Retirement Charge	–	889	1,000	997	1,018
Vehicle and Driver Registration Fees	941	982	985	976	1,017
Power Sales	815	635	510	610	961
Other Fees and Licences	474	606	594	506	510
Liquor Licence Revenue	530	530	488	489	502
Net Reduction of Power Purchase Contract Liability	–	161	104	236	396
Sales and Rentals	344	560	532	352	369
Royalties	224	304	248	278	236
Miscellaneous Other Non-Tax Revenue	2,490	726	622	721	441
	7,410	**6,504**	**6,289**	**6,406**	**6,769**
Total Revenue	**66,534**	**68,891**	**68,400**	**77,841**	**82,132**

* Second-quarter fiscal forecast as at September 30, 2005.
** Health Reform Fund included in CHST in 2003-04 and CHT in 2004-05.
*** Includes 2005 Federal Budget additional Early Learning and Child Care revenues of $272 million in 2005-06.

Revenue – In-Year Change
($ Millions)

Table 4

	Budget Plan 2005-06	Outlook* 2005-06	In-Year Change
Taxation Revenue			
Personal Income Tax	20,026	20,251	225
Retail Sales Tax	15,475	15,475	–
Corporations Tax	9,248	9,488	240
Employer Health Tax	4,033	4,033	–
Ontario Health Premium	2,422	2,422	–
Gasoline Tax	2,308	2,288	(20)
Fuel Tax	733	733	–
Tobacco Tax	1,511	1,511	–
Land Transfer Tax	1,056	1,056	–
Electricity Payments-In-Lieu of Taxes	656	656	–
Other Taxes	258	258	–
	57,726	**58,171**	**445**
Government of Canada			
Canada Health and Social Transfer (CHST)	–	–	–
Canada Health Transfer (CHT)	7,127	7,127	–
Canada Social Transfer (CST)**	3,311	3,311	–
CHST Supplements	584	584	–
Social Housing	520	520	–
Infrastructure Programs	293	293	–
Wait Times Reduction Fund	243	243	–
Medical Equipment Funds	194	194	–
Other Government of Canada	901	901	–
	13,173	**13,173**	**–**
Income from Investment in Government Business Enterprises			
Ontario Lottery and Gaming Corporation	1,941	1,941	–
Liquor Control Board of Ontario	1,186	1,186	–
Ontario Power Generation Inc. and Hydro One Inc.	887	887	–
Other Government Enterprises	5	5	–
	4,019	**4,019**	**–**
Other Non-Tax Revenue			
Reimbursements	1,319	1,319	–
Electricity Debt Retirement Charge	1,018	1,018	–
Vehicle and Driver Registration Fees	1,017	1,017	–
Power Sales	961	961	–
Other Fees and Licences	510	510	–
Liquor Licence Revenue	502	502	–
Net Reduction of Power Purchase Contract Liability	396	396	–
Sales and Rentals	369	369	–
Royalties	236	236	–
Miscellaneous Other Non-Tax Revenue	441	441	–
	6,769	**6,769**	**–**
Total Revenue	**81,687**	**82,132**	**445**

* Second-quarter fiscal forecast as at September 30, 2005.

** Includes 2005 Federal Budget additional Early Learning and Child Care revenues of $272 million in 2005-06.

Operating Expense
($ Millions)

Table 5

Ministry	2001-02	2002-03	2003-04	Actual 2004-05	Outlook* 2005-06
Agriculture, Food and Rural Affairs**	456	598	703	699	605
One-Time and Extraordinary Assistance	319	18	–	458†	–
Attorney General	995	1,052	1,199	1,175	1,199
Board of Internal Economy	124	146	196	145	167
Children and Youth Services	2,244	2,431	2,640	2,831	3,196
Citizenship and Immigration**	61	55	55	65	76
Community and Social Services**	5,812	5,846	5,999	6,372	6,603
Community Safety and Correctional Services	1,513	1,656	1,666	1,718	1,753
Culture	279	331	303	280	275
Democratic Renewal Secretariat	–	–	–	2	4
Economic Development and Trade**	88	102	87	80	448
Education**	8,419	9,071	9,733	10,565	11,340
Teachers' Pension Plan (TPP)	42	238	235	240	290
Energy	367	144	116	142	148
Environment	265	237	261	300	314
Executive Offices	19	20	24	19	19
Finance – Own Account**	1,182	1,074	1,229	1,049	1,092
Interest on Debt	10,337	9,694	9,604	9,368	9,571
Community Reinvestment Fund/Ontario Municipal Partnership Fund	557	622	651	626	662
Community Reinvestment Fund One-Time Transition Funding	–	–	–	233	–
Electricity Consumer Price Protection Fund	–	665	253	–	–
Power Purchases	815	786	797	840	961
Contingency Fund**	–	–	–	–	450
Government Services**	471	327	457	889	663
Pension and Other Employee Future Benefits**	63	102	309	458	735
Health and Long-Term Care**	23,793	25,660	27,880	30,797	32,718
SARS-Related and Major One-Time Health Costs	–	–	824	–	–
Health Promotion**	143	157	172	198	254
Intergovernmental Affairs	6	9	6	13	9
Labour	110	123	117	129	146
Municipal Affairs and Housing**	1,136	636	632	701	643
Natural Resources	438	454	516	484	584
Northern Development and Mines	75	73	76	78	116
Office of Francophone Affairs	5	3	3	3	4
Public Infrastructure Renewal**††	(22)	89	(16)	29	51
Research and Innovation**	132	139	165	191	235
Secretariat for Aboriginal Affairs	13	16	15	19	45
Tourism**	130	118	193	146	139
Training, Colleges and Universities**	3,218	3,392	3,808	4,187	4,688
Transportation	664	814	800	848	975
Year-End Savings	–	–	–	–	(350)
Total Operating Expense	**64,269**	**66,898**	**71,708**	**76,377**	**80,828**

* Second-quarter fiscal forecast as at September 30, 2005.

** Preliminary allocations and historical restatements reflecting new ministry structure, pending finalization of restructuring currently underway.

† One-time and Extraordinary Assistance refers to spending above "normal" levels due to unforeseen events. In 2004-05, low commodity prices and other unforeseen events resulted in one-time assistance totalling $458 million to producers including grain and oil seed producers and tobacco producers.

†† Credit expense amounts relate to consolidation adjustments between Ontario Realty Corporation (ORC) and ministries to reflect the net capital spending for the year.

Operating Expense – In-Year Change ($ Millions)

Table 6

Ministry	Budget Plan 2005-06	Outlook* 2005-06	In-Year Change
Agriculture, Food and Rural Affairs**	605	605	–
Attorney General	1,199	1,199	–
Board of Internal Economy	167	167	–
Children and Youth Services	3,196	3,196	–
Citizenship and Immigration**	76	76	–
Community and Social Services**	6,603	6,603	–
Community Safety and Correctional Services	1,753	1,753	–
Culture	275	275	–
Democratic Renewal Secretariat	4	4	–
Economic Development and Trade**	448	448	–
Education**	11,340	11,340	–
Teachers' Pension Plan (TPP)	290	290	–
Energy	148	148	–
Environment	314	314	–
Executive Offices	19	19	–
Finance – Own Account**	1,092	1,092	–
Interest on Debt	9,796	9,571	(225)
Ontario Municipal Partnership Fund	662	662	–
Power Purchases	961	961	–
Contingency Fund**	557	450	(107)
Government Services**	663	663	–
Pension and Other Employee Future Benefits**	514	735	221
Health and Long-Term Care**	32,718	32,718	–
Health Promotion**	254	254	–
Intergovernmental Affairs	8	9	1
Labour	146	146	–
Municipal Affairs and Housing**	643	643	–
Natural Resources	492	584	92
Northern Development and Mines	111	116	5
Office of Francophone Affairs	4	4	–
Public Infrastructure Renewal**	51	51	–
Research and Innovation**	235	235	–
Secretariat for Aboriginal Affairs	14	45	31
Tourism**	139	139	–
Training, Colleges and Universities**	4,688	4,688	–
Transportation	975	975	–
Year-End Savings	(350)	(350)	–
Total Operating Expense	**80,810**	**80,828**	**18**

* Second-quarter fiscal forecast as at September 30, 2005.

** Budget Plan and Outlook reflect new ministry structure, pending finalization of restructuring currently underway.

CAPITAL EXPENSE
($ MILLIONS)

TABLE 7

Ministry	2001-02	2002-03	2003-04	Actual 2004-05	Outlook* 2005-06
Agriculture, Food and Rural Affairs**	29	68	204	243	271
Attorney General	46	43	24	34	75
Children and Youth Services	6	7	–	4	109
Community and Social Services**	25	16	10	20	33
Community Safety and Correctional Services	88	66	47	32	48
Culture	14	42	24	64	115
Economic Development and Trade**	1	2	2	5	2
Education**	20	13	19	54	10
Energy	50	46	53	52	49
Environment	20	13	4	7	13
Finance**	11	8	5	25	4
Government Services**	3	4	5	8	12
Health and Long-Term Care**	205	339	358	535	339
Health Promotion**	–	–	–	–	5
Municipal Affairs and Housing**	12	20	3	34	132
Natural Resources	70	72	111	79	53
Northern Development and Mines††	371	229	113	242	264
Public Infrastructure Renewal**†, †††	25	4	(19)	43	33
Capital Contingency Fund	–	–	–	–	117
Research and Innovation**	18	19	29	71	80
Secretariat for Aboriginal Affairs	3	2	–	2	3
Tourism**	9	55	51	65	88
Training, Colleges and Universities**	46	68	116	417	131
Transportation††	818	740	1,016	983	837
Year-End Savings	–	–	–	–	(150)
Total Capital Expense* **	**1,890**	**1,876**	**2,175**	**3,019**	**2,673**

* Second-quarter fiscal forecast as at September 30, 2005.

** Preliminary allocations and historical restatements reflecting new ministry structure, pending finalization of restructuring currently underway.

*** Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Starting in 2002-03, any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in the Ministry of Public Infrastructure Renewal.

†† Prior year expenses restated to reflect the change in accounting treatment introduced in the 2004-05 Public Accounts, to disclose spending on northern highways in the ministry that carries out these activities.

††† Credit expense amounts relate to consolidation adjustments between Ontario Realty Corporation (ORC) and ministries to reflect the net capital spending for the year.

Sources: Ontario Ministry of Finance and Ontario Ministry of Public Infrastructure Renewal.

CAPITAL EXPENSE – IN-YEAR CHANGE ($ MILLIONS)

TABLE 8

Ministry	Budget Plan 2005-06	Outlook* 2005-06	In-Year Change
Agriculture, Food and Rural Affairs**	271	271	–
Attorney General	75	75	–
Children and Youth Services	109	109	–
Community and Social Services**	33	33	–
Community Safety and Correctional Services	48	48	–
Culture	115	115	–
Economic Development and Trade**	2	2	–
Education**	10	10	–
Energy	49	49	–
Environment	13	13	–
Finance**	4	4	–
Government Services**	12	12	–
Health and Long-Term Care**	339	339	–
Health Promotion**	5	5	–
Municipal Affairs and Housing**	132	132	–
Natural Resources	53	53	–
Northern Development and Mines†	421	264	(157)
Public Infrastructure Renewal**	33	33	–
Capital Contingency Fund	175	117	(58)
Research and Innovation**	80	80	–
Secretariat for Aboriginal Affairs	3	3	–
Tourism**	88	88	–
Training, Colleges and Universities**	131	131	–
Transportation†	622	837	215
Year-End Savings	(150)	(150)	–
Total Capital Expense	**2,673**	**2,673**	**–**

* Second-quarter fiscal forecast as at September 30, 2005.

** Budget Plan and Outlook reflect new ministry structure, pending finalization of restructuring currently underway.

† Prior year expenses restated to reflect the change in accounting treatment introduced in the 2004-05 Public Accounts, to disclose spending on northern highways in the ministry that carries out these activities.

Sources: Ontario Ministry of Finance and Ontario Ministry of Public Infrastructure Renewal.

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
($ MILLIONS)

TABLE 9

	2005-06 Outlook*			
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	160	1,131	526	1,817
Amortization of Provincially Owned Major Tangible Capital Assets	(84)	(534)	(206)	(824)
Net Investment in Capital Assets	**76**	**597**	**320**	**993**

* Second-quarter fiscal forecast as at September 30, 2005.

Source: Ontario Ministry of Public Infrastructure Renewal.

GROSS CAPITAL INVESTMENT ($ MILLIONS)

TABLE 10

		Outlook* 2005-06
Transportation		
Transit	571	
Highways	1,135	
Other Transportation	110	
		1,816
Health		354
Postsecondary Education		131
Water/Environment		292
Municipal and Local Infrastructure**		535
Justice		123
Other		415
Total Gross Capital Investment* **		**3,666**
Less: Net Investment in Capital Assets		**993**
Total Capital Expense		**2,673**

* Second-quarter fiscal forecast as at September 30, 2005.

** Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

*** Total gross capital investment includes flow-throughs of $531 million.

Source: Ontario Ministry of Public Infrastructure Renewal.

Ten-Year Review of Selected Financial and Economic Statistics ($ Millions)

	1996-97	1997-98	1998-99
Financial Transactions			
Revenue	49,714	52,782	56,050
Expense			
Programs	45,400	45,568	46,821
Capital**	2,612	2,451	2,215
Interest on Debt	8,607	8,729	9,016
Total Expense	56,619	56,748	58,052
Surplus/(Deficit) Before Reserve	**(6,905)**	**(3,966)**	**(2,002)**
Reserve	–	–	–
Surplus/(Deficit)	**(6,905)**	**(3,966)**	**(2,002)**
Net Debt†	**108,769**	**112,735**	**114,737**
Accumulated Deficit†	**108,769**	**112,735**	**114,737**
Gross Domestic Product (GDP) at Market Prices	338,173	359,353	377,897
Personal Income	276,303	289,537	304,652
Population—July (000s)	11,083	11,228	11,367
Net Debt per Capita (dollars)	9,814	10,041	10,094
Personal Income per Capita (dollars)	24,930	25,787	26,801
Total Expense as a per cent of GDP	16.7	15.8	15.4
Interest on Debt as a per cent of Revenue	17.3	16.5	16.1
Net Debt as a per cent of GDP	32.2	31.4	30.4
Accumulated Deficit as a per cent of GDP	32.2	31.4	30.4

* Second-quarter fiscal forecast as at September 30, 2005.

** Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

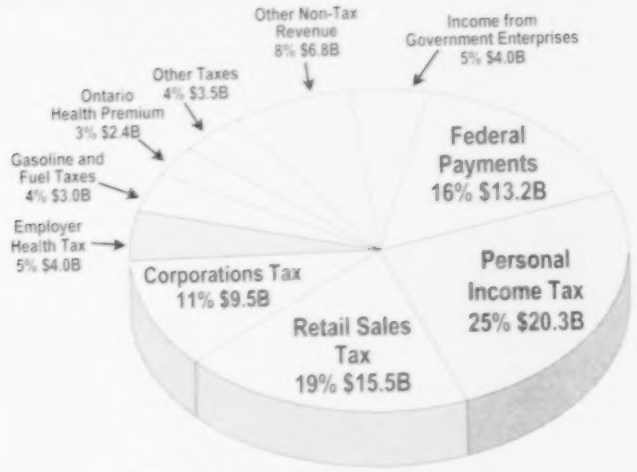
† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Sources: Ontario Ministry of Finance and Statistics Canada.

TABLE 11

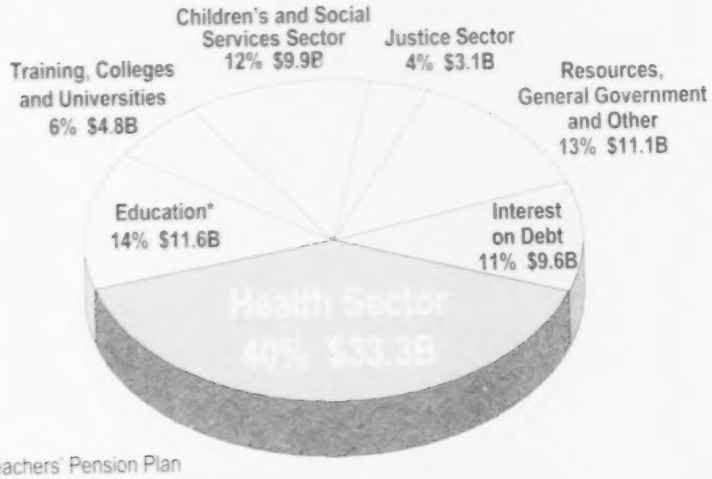
1999-00	2000-01	2001-02	2002-03	2003-04	Actual 2004-05	Outlook* 2005-06
65,042	66,294	66,534	68,891	68,400	77,841	82,132
48,460	51,396	53,932	57,204	62,104	67,009	71,257
4,887	2,123	1,890	1,876	2,175	3,019	2,673
11,027	10,873	10,337	9,694	9,604	9,368	9,571
64,374	64,392	66,159	68,774	73,883	79,396	83,501
668	**1,902**	**375**	**117**	**(5,483)**	**(1,555)**	**(1,369)**
–	–	–	–	–	–	1,000
668	**1,902**	**375**	**117**	**(5,483)**	**(1,555)**	**(2,369)**
134,398	**132,496**	**132,121**	**132,647**	**138,557**	**140,662**	**144,024**
134,398	**132,496**	**132,121**	**118,705**	**124,188**	**125,743**	**128,112**
409,020	440,759	453,959	477,911	493,802	516,844	538,035
321,702	347,653	361,189	370,153	381,245	395,600	412,112
11,506	11,685	11,898	12,102	12,260	12,407	12,541
11,681	11,339	11,104	10,961	11,302	11,337	11,484
27,959	29,752	30,357	30,586	31,097	31,885	32,861
15.7	14.6	14.6	14.4	15.0	15.4	15.5
17.0	16.4	15.5	14.1	14.0	12.0	11.7
32.9	30.1	29.1	27.8	28.1	27.2	26.8
32.9	30.1	29.1	24.8	25.1	24.3	23.8

Composition of Revenue
$82.1B in 2005-06


Other Non-Tax Revenue 8% $6.8B
Income from Government Enterprises 5% $4.0B
Other Taxes 4% $3.5B
Ontario Health Premium 3% $2.4B
Gasoline and Fuel Taxes 4% $3.0B
Employer Health Tax 5% $4.0B
Federal Payments 16% $13.2B
Personal Income Tax 25% $20.3B
Corporations Tax 11% $9.5B
Retail Sales Tax 19% $15.5B

Note: Numbers may not add due to rounding.

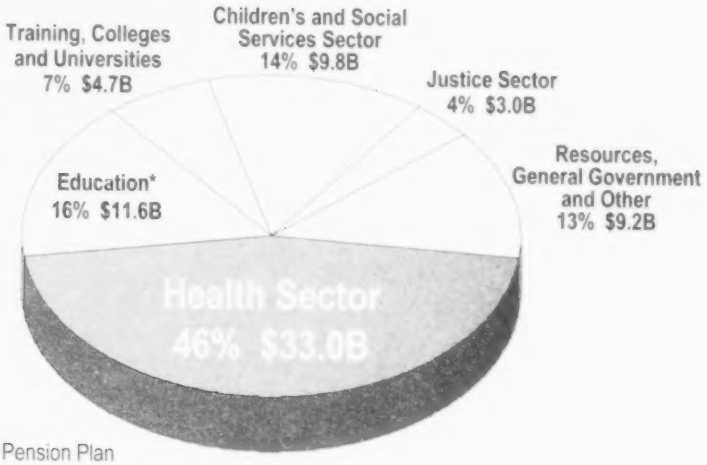
Composition of Total Expense
$83.5B in 2005-06


Children's and Social Services Sector 12% $9.9B
Justice Sector 4% $3.1B
Training, Colleges and Universities 6% $4.8B
Resources, General Government and Other 13% $11.1B
Education* 14% $11.6B
Interest on Debt 11% $9.6B
Health Sector 40% $33.3B

* Includes Teachers' Pension Plan

Note: Numbers may not add due to rounding.

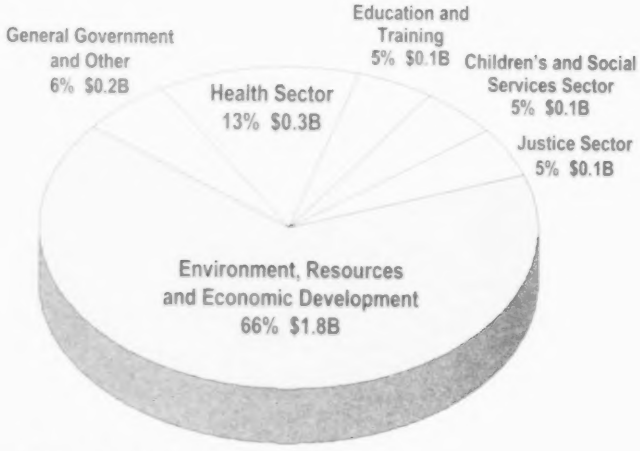
Composition of Program Expense $71.3B in 2005-06


Training, Colleges and Universities 7% $4.7B
Children's and Social Services Sector 14% $9.8B
Justice Sector 4% $3.0B
Resources, General Government and Other 13% $9.2B
Education* 16% $11.6B
Health Sector 46% $33.0B

* Includes Teachers' Pension Plan

Note: Numbers may not add due to rounding.

Composition of Capital Expense $2.7B in 2005-06


General Government and Other 6% $0.2B
Education and Training 5% $0.1B
Children's and Social Services Sector 5% $0.1B
Health Sector 13% $0.3B
Justice Sector 5% $0.1B
Environment, Resources and Economic Development 66% $1.8B

Note: Numbers may not add due to rounding.

ANNEX VI

ECONOMIC DATA TABLES

LIST OF TABLES

ONTARIO ECONOMY

TABLE NUMBER

Ontario, Gross Domestic Product, 1991-2004 1
Ontario, Growth in Gross Domestic Product, 1991-2004 2
Ontario, Selected Economic Indicators, 1991-2004 3
Ontario, Selected Economic Indicators, Annual Change, 1991-2004 4
Business Cycles in Ontario 5
Ontario, Real Gross Domestic Product by Industry at Basic Prices, 2001-2004 6
Ontario, Growth in Real Gross Domestic Product by Industry at Basic Prices, 2001-2004 7
Ontario, Real Gross Domestic Product at Basic Prices in Selected Manufacturing Industries, 2001-2004 8
Ontario, Growth in Real Gross Domestic Product at Basic Prices in Selected Manufacturing Industries, 2001-2004 9
Ontario, Housing Market Indicators, 2001-2004 10
Selected Financial Indicators, 1991-2004 11

G-7 COMPARISON

Ontario and the G-7, Real Gross Domestic Product Growth, 1991-2004 12
Ontario and the G-7, Employment Growth, 1991-2004 13
Ontario and the G-7, Unemployment Rates, 1991-2004 14
Ontario and the G-7, CPI Inflation Rates, 1991-2004 15
G-7, Exchange Rates, 1991-2004 16

ONTARIO, INTERNATIONAL MERCHANDISE TRADE

Ontario, International Merchandise Exports by Major Commodity, 2004 17
Ontario, International Merchandise Imports by Major Commodity, 2004 18
Ontario, International Merchandise Trade by Major Region, 2004 19

CANADA, INTERNATIONAL MERCHANDISE TRADE

Canada, International Merchandise Trade by Major Region, 2004 20

LIST OF TABLES (CONT'D)

DEMOGRAPHIC CHARACTERISTICS

TABLE NUMBER

Ontario, Selected Demographic Characteristics, 1986-2005 21
Ontario, Components of Population Growth, 1995-96 to 2004-05 22

ONTARIO LABOUR MARKETS

Ontario, Labour Force, 1991-2004 23
Ontario, Employment, 1991-2004 24
Ontario, Unemployment, 1991-2004 25
Ontario, Employment Insurance (EI) and Social Assistance, 1991-2004 26
Ontario, Labour Compensation, 1991-2004 27
Ontario, Employment by Occupation, 1993-2004 28
Ontario, Distribution of Employment by Occupation, 1993-2004 29
Ontario, Employment by Industry, 1995-2004 30
Ontario, Growth in Employment by Industry, 1995-2004 31
Ontario, Employment Level by Economic Regions, 1994-2004 32
Ontario, Employment Level by Industry for Economic Regions, 2004 33
Ontario Economic Regions 34

(Note: Data in the tables may not add to totals due to rounding.)

TABLE 1 — ONTARIO, GROSS DOMESTIC PRODUCT, 1991-2004

($ Billions)

	1991	1992	1993	1994	1995	1996	1997
Real GDP (chained $1997)	**304.5**	**307.2**	**310.2**	**328.5**	**340.1**	**343.8**	**359.4**
Consumption	172.9	175.3	177.7	183.1	186.6	190.9	200.1
Government	72.3	72.6	72.1	72.9	73.3	70.6	70.5
Residential Construction	16.3	17.1	15.6	15.9	13.7	15.0	17.2
Non-residential Construction	12.5	10.9	8.8	7.8	7.5	9.2	10.0
Machinery and Equipment	18.0	18.5	17.7	20.2	22.3	23.7	29.3
Exports	159.4	165.5	179.4	198.1	213.8	225.6	242.6
Imports	142.2	149.8	158.7	169.4	180.5	189.4	213.3
Nominal Gross Domestic Product	**283.1**	**286.5**	**293.4**	**311.1**	**329.3**	**338.2**	**359.4**

TABLE 1 (CONTINUED)

($ Billions)

	1998	1999	2000	2001	2002	2003	2004
Real GDP (chained $1997)	**376.7**	**405.0**	**429.1**	**436.8**	**450.1**	**457.6**	**470.3**
Consumption	207.1	216.6	227.2	232.3	241.3	248.9	256.9
Government	72.0	75.1	77.8	81.3	84.5	88.3	91.1
Residential Construction	16.8	18.8	20.1	22.2	24.3	25.1	26.1
Non-residential Construction	10.2	11.3	10.0	10.0	10.2	10.3	9.8
Machinery and Equipment	31.3	34.2	36.2	34.9	32.4	35.4	38.1
Exports	260.4	289.8	312.5	304.4	308.6	307.6	323.8
Imports	223.3	241.9	259.6	247.2	251.8	262.1	280.0
Nominal Gross Domestic Product	**377.9**	**409.0**	**440.8**	**454.0**	**477.9**	**493.8**	**516.8**

Sources: Statistics Canada and Ontario Ministry of Finance

TABLE 2 ONTARIO, GROWTH IN GROSS DOMESTIC PRODUCT, 1991-2004

(Per Cent Change)

	1991	1992	1993	1994	1995	1996	1997
Real GDP (chained $1997)	**-3.9**	**0.9**	**1.0**	**5.9**	**3.5**	**1.1**	**4.5**
Consumption	-1.9	1.4	1.3	3.1	1.9	2.3	4.8
Government	4.5	0.4	-0.7	1.1	0.7	-3.7	-0.1
Residential Construction	-15.9	4.5	-8.7	2.0	-14.0	9.6	14.5
Non-residential Construction	-4.9	-12.9	-18.7	-12.2	-2.7	21.5	9.2
Machinery and Equipment	-7.2	2.4	-4.4	14.6	9.9	6.7	23.3
Exports	-3.0	3.9	8.4	10.4	7.9	5.6	7.5
Imports	-0.7	5.3	5.9	6.8	6.6	4.9	12.6
Nominal Gross Domestic Product	**0.1**	**1.2**	**2.4**	**6.0**	**5.9**	**2.7**	**6.3**

TABLE 2 (CONTINUED)

(Per Cent Change)

	1998	1999	2000	2001	2002	2003	2004
Real GDP (chained $1997)	**4.8**	**7.5**	**5.9**	**1.8**	**3.0**	**1.7**	**2.8**
Consumption	3.5	4.6	4.9	2.2	3.9	3.2	3.2
Government	2.0	4.4	3.6	4.6	3.9	4.5	3.1
Residential Construction	-1.8	11.6	7.1	10.0	9.6	3.2	4.1
Non-residential Construction	1.6	11.4	-11.8	-0.3	2.4	1.3	-5.2
Machinery and Equipment	6.8	9.4	5.9	-3.8	-7.0	9.2	7.7
Exports	7.3	11.3	7.8	-2.6	1.4	-0.3	5.3
Imports	4.7	8.4	7.3	-4.8	1.9	4.1	6.9
Nominal Gross Domestic Product	**5.2**	**8.2**	**7.8**	**3.0**	**5.3**	**3.3**	**4.7**

Sources: Statistics Canada and Ontario Ministry of Finance.

TABLE 3 ONTARIO, SELECTED ECONOMIC INDICATORS, 1991-2004

	1991	1992	1993	1994	1995	1996	1997
Retail Sales ($ Billions)	69.6	71.5	74.5	80.0	83.3	83.8	90.9
Housing Starts - Units (000s)	52.8	55.8	45.1	46.6	35.8	43.1	54.1
Personal Income ($ Billions)	247.7	253.8	256.1	260.7	271.4	276.3	289.5
Pre-tax Corporate Profits ($ Billions)	14.6	14.5	17.9	27.9	33.1	34.2	37.5
Consumer Price Index (1992 = 100)	99.0	100.0	101.8	101.8	104.3	105.9	107.9
Labour Force (000s)	5,545	5,526	5,542	5,544	5,584	5,673	5,771
Employment (000s)	5,015	4,929	4,935	5,009	5,093	5,158	5,283
Unemployment Rate (%)	9.6	10.8	11.0	9.7	8.8	9.1	8.4

TABLE 3 (CONTINUED)

	1998	1999	2000	2001	2002	2003	2004
Retail Sales ($ Billions)	97.5	104.6	111.5	114.3	121.0	125.1	129.1
Housing Starts - Units (000s)	53.8	67.2	71.5	73.3	83.6	85.2	85.1
Personal Income ($ Billions)	304.7	321.7	347.7	361.2	370.2	381.2	395.6
Pre-tax Corporate Profits ($ Billions)	39.5	49.7	54.4	49.6	59.2	57.4	65.9
Consumer Price Index (1992 = 100)	108.9	111.0	114.2	117.7	120.1	123.3	125.6
Labour Force (000s)	5,876	6,016	6,170	6,327	6,499	6,672	6,775
Employment (000s)	5,451	5,633	5,814	5,926	6,035	6,208	6,316
Unemployment Rate (%)	7.2	6.4	5.8	6.3	7.1	7.0	6.8

Sources: Statistics Canada, Ontario Ministry of Finance and Canada Mortgage and Housing Corporation.

TABLE 4 ONTARIO, SELECTED ECONOMIC INDICATORS, ANNUAL CHANGE, 1991-2004

(Per Cent Change)

	1991	1992	1993	1994	1995	1996	1997
Retail Sales	NA	2.7	4.2	7.5	4.0	0.7	8.5
Housing Starts	-15.7	5.6	-19.1	3.3	-23.2	20.2	25.6
Personal Income	2.5	2.5	0.9	1.8	4.1	1.8	4.8
Pre-tax Corporate Profits	-26.0	-0.8	23.1	55.8	18.7	3.3	9.9
Consumer Price Index	4.7	1.0	1.8	0.0	2.5	1.5	1.9
Labour Force	0.2	-0.3	0.3	0.0	0.7	1.6	1.7
Employment	-3.4	-1.7	0.1	1.5	1.7	1.3	2.4

TABLE 4 (CONTINUED)

(Per Cent Change)

	1998	1999	2000	2001	2002	2003	2004
Retail Sales	7.2	7.3	6.6	2.5	5.9	3.4	3.2
Housing Starts	-0.4	24.9	6.4	2.5	14.1	1.9	-0.1
Personal Income	5.2	5.6	8.1	3.9	2.5	3.0	3.8
Pre-tax Corporate Profits	5.2	25.9	9.3	-8.7	19.3	-2.9	14.7
Consumer Price Index	0.9	1.9	2.9	3.1	2.0	2.7	1.9
Labour Force	1.8	2.4	2.6	2.5	2.7	2.7	1.5
Employment	3.2	3.3	3.2	1.9	1.8	2.9	1.7

Sources: Statistics Canada, Ontario Ministry of Finance and Canada Mortgage and Housing Corporation.

TABLE 5 BUSINESS CYCLES IN ONTARIO

Recessions			Recoveries and Expansions	
Recession Quarters	Length (Quarters)	Peak-to-trough decline in real GDP	Expansion Quarters	Length (Quarters)
1954:1 – 54:2	2	-1.5%	1954:3 – 57:3	13
1957:4 – 58:2	3	-1.7%	1958:3 – 74:3	65
1974:4 – 75:1	2	-0.6%	1975:2 – 79:3	18
1979:4 – 80:3	4	-2.2%	1980:4 – 81:4	5
1982:1 – 82:3	3	-5.2%	1982:4 – 89:4	29
1990:1 – 91:1	5	-7.7%	1991:2 – 92:1	4
1992:2 – 92:3	2	-0.9%	1992:4 – 2003:1	41
2003:2 – 2003:3	2	-1.0%	2003:4 –	
Average	3	-2.6%	Average	25
Weighted by length of recession		-3.3%		

Source: Ontario Ministry of Finance.

TABLE 6

ONTARIO, REAL GROSS DOMESTIC PRODUCT BY INDUSTRY AT BASIC PRICES, 2001-2004

($1997 Chained Millions)

	2001	2002	2003	2004
Goods Producing Industries	**123,349**	**127,407**	**128,011**	**131,293**
Primary	7,642	7,810	7,708	8,174
Utilities	10,042	10,115	9,826	9,929
Construction	19,961	21,055	21,946	21,776
Manufacturing[1]	85,502	88,306	88,266	91,414
Services Producing Industries	**279,905**	**288,918**	**295,338**	**304,671**
Wholesale Trade	26,496	28,147	29,777	31,745
Retail Trade	20,943	21,549	22,209	22,929
Transportation and Warehousing	16,567	16,855	16,997	17,635
Information and Cultural (incl. Telecommunications)	17,465	18,323	18,925	19,004
Finance, Insurance, Real Estate, Rental and Leasing	88,161	91,373	93,010	96,178
Professional and Administrative Services	30,098	31,306	32,142	32,788
Education	17,023	16,746	16,806	17,044
Health Care and Social Services	22,033	22,670	23,457	24,151
Arts, Entertainment and Recreation	3,744	4,027	4,147	4,164
Accommodation and Food	9,016	9,120	8,594	8,746
Other Services	9,279	9,488	9,581	9,707
Public Administration	19,492	19,944	20,548	20,923
Total Production	**403,543**	**416,813**	**423,890**	**435,703**

Note:

1. See Table 8 for detailed manufacturing industries.

Sources: Statistics Canada and Ontario Ministry of Finance.

TABLE 7 — ONTARIO, GROWTH IN REAL GROSS DOMESTIC PRODUCT BY INDUSTRY AT BASIC PRICES, 2001-2004

(Per Cent Change)

	2001	2002	2003	2004
Goods Producing Industries	**-2.2**	**3.3**	**0.5**	**2.6**
Primary	-1.1	2.2	-1.3	6.0
Utilities	1.7	0.7	-2.9	1.1
Construction	7.6	5.5	4.2	-0.8
Manufacturing[1]	-4.9	3.3	0.0	3.6
Services Producing Industries	**3.6**	**3.2**	**2.2**	**3.2**
Wholesale Trade	1.0	6.2	5.8	6.6
Retail Trade	4.9	2.9	3.1	3.2
Transportation and Warehousing	3.0	1.7	0.8	3.8
Information and Cultural (incl. Telecommunications)	9.4	4.9	3.3	0.4
Finance, Insurance, Real Estate, Rental and Leasing	6.0	3.6	1.8	3.4
Professional and Administrative Services	-0.3	4.0	2.7	2.0
Education	0.1	-1.6	0.4	1.4
Health Care and Social Services	2.6	2.9	3.5	3.0
Arts, Entertainment and Recreation	5.1	7.6	3.0	0.4
Accommodation and Food	3.7	1.2	-5.8	1.8
Other Services	3.4	2.2	1.0	1.3
Public Administration	1.7	2.3	3.0	1.8
Total Production	**1.8**	**3.3**	**1.7**	**2.8**

Note:
1. See Table 9 for detailed manufacturing industries.
Sources: Statistics Canada and Ontario Ministry of Finance.

TABLE 8 ONTARIO, REAL GROSS DOMESTIC PRODUCT AT BASIC PRICES IN SELECTED MANUFACTURING INDUSTRIES, 2001-2004

($1997 Chained Millions)

	2001	2002	2003	2004
Manufacturing	**85,502**	**88,306**	**88,266**	**91,414**
Food, Beverage and Tobacco Products	9,712	9,718	9,518	10,013
Textile, Clothing and Leather Products	2,059	2,022	1,858	1,789
Wood Products and Furniture	4,863	5,147	5,296	5,352
Paper Products and Printing	6,543	6,742	6,995	6,849
Chemical and Petroleum Products	8,168	8,565	8,842	9,456
Plastic and Rubber Products	5,543	6,160	6,057	6,170
Primary Metal and Fabricated Metal Products	12,177	12,595	12,336	12,783
Machinery	6,262	6,419	6,154	6,337
Electrical and Electronic Products	8,080	6,931	6,982	7,435
Transportation Equipment	17,874	18,952	19,126	20,147
Other Manufacturing	3,949	4,113	4,312	4,348

Sources: Statistics Canada and Ontario Ministry of Finance.

TABLE 9 ONTARIO, GROWTH IN REAL GROSS DOMESTIC PRODUCT AT BASIC PRICES IN SELECTED MANUFACTURING INDUSTRIES, 2001-2004

(Per Cent Change)

	2001	2002	2003	2004
Manufacturing	**-4.9**	**3.3**	**0.0**	**3.6**
Food, Beverage and Tobacco Products	3.5	0.1	-2.1	5.2
Textile, Clothing and Leather Products	-7.1	-1.8	-8.1	-3.7
Wood Products and Furniture	2.6	5.8	2.9	1.0
Paper Products and Printing	4.0	3.0	3.7	-2.1
Chemical and Petroleum Products	9.1	4.9	3.2	6.9
Plastic and Rubber Products	-5.2	11.1	-1.7	1.9
Primary Metal and Fabricated Metal Products	-3.8	3.4	-2.1	3.6
Machinery	-4.1	2.5	-4.1	3.0
Electrical and Electronic Products	-26.3	-14.2	0.7	6.5
Transportation Equipment	-10.8	6.0	0.9	5.3
Other Manufacturing	3.9	4.1	4.8	0.8

Sources: Statistics Canada and Ontario Ministry of Finance.

TABLE 10		ONTARIO, HOUSING MARKET INDICATORS, 2001-2004			
		2001	2002	2003	2004
New Housing Market					
Residential Construction	Current $ Millions	24,678	28,331	30,751	33,854
	Per Cent Change	13.3	14.8	8.5	10.1
Real Residential Construction	($1997 Millions)	22,164	24,299	25,069	26,096
	Per Cent Change	10.0	9.6	3.2	4.1
Housing Starts	(Units)	73,282	83,597	85,180	85,114
	Per Cent Change	2.5	14.1	1.9	-0.1
Of which: Single-detached, urban areas	(Units)	34,861	44,980	40,849	41,101
	Per Cent Change	-2.0	29.0	-9.2	0.6
Multiple, urban areas	(Units)	35,401	34,635	40,082	38,795
	Per Cent Change	11.1	-2.2	15.7	-3.2
New Housing Price Index	(1997 = 100)	110.8	114.9	120.0	126.7
	Per Cent Change	3.1	3.7	4.4	5.6
Resale Market					
Home Resales	(Units)	162,318	178,058	184,457	197,354
	Per Cent Change	10.3	9.7	3.6	7.0
Average Resale Price	($)	193,357	210,901	226,824	245,229
	Per Cent Change	5.2	9.1	7.5	8.1

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Ontario Ministry of Finance.

TABLE 11 SELECTED FINANCIAL INDICATORS, 1991-2004

(Per Cent)

	1991	1992	1993	1994	1995	1996	1997
Interest Rates							
Bank Rate	9.0	6.8	5.1	5.8	7.1	4.5	3.5
Prime Rate	9.9	7.5	5.9	6.9	8.6	6.1	5.0
10-Year Government Bonds	9.4	8.1	7.2	8.4	8.1	7.2	6.1
Three-month T-Bills	8.7	6.6	4.8	5.5	6.9	4.2	3.3
Mortgage Rates							
5-Year Rate	11.1	9.5	8.8	9.5	9.2	7.9	7.1
1-Year Rate	10.1	7.9	6.9	7.8	8.4	6.2	5.5
Canadian Household Debt Burden*							
Consumer	21.5	21.3	21.3	22.7	23.5	24.6	26.2
Mortgage	55.8	59.2	62.2	65.3	65.4	67.1	68.5
Total	77.3	80.5	83.5	88.0	88.9	91.8	94.7

TABLE 11 (CONTINUED)

(Per Cent)

	1998	1999	2000	2001	2002	2003	2004
Interest Rates							
Bank Rate	5.1	4.9	5.8	4.3	2.7	3.2	2.5
Prime Rate	6.6	6.4	7.3	5.8	4.2	4.7	4.0
10-Year Government Bonds	5.3	5.6	5.9	5.5	5.3	4.8	4.6
Three-month T-Bills	4.7	4.7	5.5	3.8	2.6	2.9	2.2
Mortgage Rates							
5-Year Rate	6.9	7.6	8.3	7.4	7.0	6.4	6.2
1-Year Rate	6.5	6.8	7.9	6.1	5.2	4.8	4.6
Canadian Household Debt Burden*							
Consumer	27.7	28.3	29.7	30.3	31.1	32.8	34.8
Mortgage	69.0	68.6	67.1	66.7	69.1	72.0	75.9
Total	96.6	96.9	96.8	97.0	100.2	104.7	110.8

* Household debt as a share of personal disposable income.
Note: All data are annual averages.
Sources: Statistics Canada and Bank of Canada.

TABLE 12 ONTARIO AND THE G-7, REAL GROSS DOMESTIC PRODUCT GROWTH, 1991-2004

(Per Cent)

	1991	1992	1993	1994	1995	1996	1997
Ontario	-3.9	0.9	1.0	5.9	3.5	1.1	4.5
Canada	-2.1	0.9	2.3	4.8	2.8	1.6	4.2
France	1.0	1.3	-0.9	1.9	1.8	1.0	1.9
Germany	5.1	1.8	-1.1	2.4	1.8	0.8	1.5
Italy	1.4	0.7	-0.9	2.3	3.0	1.0	2.0
Japan	3.4	1.0	0.2	1.1	2.0	3.4	1.8
United Kingdom	-1.4	0.2	2.3	4.4	2.9	2.8	3.3
United States	-0.2	3.3	2.7	4.0	2.5	3.7	4.5

TABLE 12 (CONTINUED)

(Per Cent)

	1998	1999	2000	2001	2002	2003	2004
Ontario	4.8	7.5	5.9	1.8	3.0	1.7	2.8
Canada	4.1	5.5	5.2	1.8	3.4	2.0	2.9
France	3.6	3.2	4.2	2.1	1.1	0.5	2.3
Germany	1.7	1.9	3.1	1.0	0.1	-0.1	1.0
Italy	1.7	1.7	3.2	1.7	0.4	0.4	1.0
Japan	-1.0	-0.1	2.4	0.2	-0.3	1.5	2.6
United Kingdom	3.1	2.9	3.9	2.3	1.8	2.2	3.1
United States	4.2	4.5	3.7	0.8	1.6	2.7	4.2

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. These numbers are working-day adjusted and hence may differ from the basis used for official projections.

Sources: OECD, U.S. Bureau of Economic Analysis and Statistics Canada.

TABLE 13 ONTARIO AND THE G-7, EMPLOYMENT GROWTH, 1991-2004

(Per Cent)

	1991	1992	1993	1994	1995	1996	1997
Ontario	-3.4	-1.7	0.1	1.5	1.7	1.3	2.4
Canada	-1.7	-1.0	0.5	2.1	1.7	0.9	2.1
France	0.2	-0.6	-1.2	0.1	0.9	0.4	0.4
Germany	1.7	-1.9	-1.8	-0.2	0.1	-0.3	-0.1
Italy	1.4	-1.1	-4.1	-1.6	-0.6	0.5	0.4
Japan	1.9	1.1	0.2	0.1	0.1	0.4	1.1
United Kingdom	-3.2	-2.8	-0.7	1.0	1.1	0.9	1.8
United States	-0.9	0.7	1.5	2.3	1.5	1.5	2.3

TABLE 13 (CONTINUED)

(Per Cent)

	1998	1999	2000	2001	2002	2003	2004
Ontario	3.2	3.3	3.2	1.9	1.8	2.9	1.7
Canada	2.5	2.6	2.6	1.3	2.4	2.3	1.8
France	1.5	2.0	2.7	1.7	0.7	-0.1	-0.1
Germany	1.2	1.4	1.9	0.4	-0.6	-1.0	0.4
Italy	1.1	1.3	1.9	2.1	1.5	1.0	0.3
Japan	-0.7	-0.8	-0.2	-0.5	-1.3	-0.2	0.2
United Kingdom	1.0	1.4	1.2	0.8	0.8	0.9	0.9
United States	1.5	1.5	2.5	0.0	-0.3	0.9	1.1

Sources: IMF and Statistics Canada

TABLE 14 ONTARIO AND THE G-7, UNEMPLOYMENT RATES, 1991-2004

(Per Cent)

	1991	1992	1993	1994	1995	1996	1997
Ontario	9.6	10.8	11.0	9.7	8.8	9.1	8.4
Canada	10.3	11.2	11.4	10.4	9.6	9.7	9.2
France	9.5	10.4	11.7	12.1	11.5	12.1	12.1
Germany	5.3	6.2	7.5	8.0	7.7	8.4	9.2
Italy	8.6	8.8	10.2	11.2	11.7	11.7	11.8
Japan	2.1	2.2	2.5	2.9	3.2	3.4	3.4
United Kingdom	7.9	9.9	10.4	9.5	8.6	8.1	7.0
United States	6.8	7.5	6.9	6.1	5.6	5.4	4.9

TABLE 14 (CONTINUED)

(Per Cent)

	1998	1999	2000	2001	2002	2003	2004
Ontario	7.2	6.4	5.8	6.3	7.1	7.0	6.8
Canada	8.4	7.6	6.8	7.2	7.7	7.6	7.2
France	11.5	10.8	9.4	8.7	9.0	9.8	10.0
Germany	8.7	8.0	7.3	7.4	8.2	9.1	9.3
Italy	11.9	11.5	10.7	9.6	9.1	8.8	8.1
Japan	4.1	4.7	4.7	5.0	5.4	5.3	4.7
United Kingdom	6.2	6.0	5.5	5.1	5.2	5.0	4.7
United States	4.5	4.2	4.0	4.8	5.8	6.0	5.5

Note: Labour market data are subject to differences in definitions across countries and to many series breaks, though the latter are often of a minor nature.

Sources: OECD, U.S. Bureau of Labor Statistics and Statistics Canada.

TABLE 15 ONTARIO AND THE G-7, CPI INFLATION RATES, 1991-2004

(Per Cent)

	1991	1992	1993	1994	1995	1996	1997
Ontario	4.7	1.0	1.8	0.0	2.5	1.5	1.9
Canada	5.6	1.5	1.8	0.2	2.2	1.6	1.6
France	3.4	2.5	2.2	1.7	1.8	2.1	1.3
Germany	4.1	5.1	4.4	2.7	1.7	1.2	1.5
Italy	6.2	5.0	4.5	4.2	5.4	4.0	1.9
Japan	3.2	1.7	1.3	0.7	-0.1	0.1	1.7
United Kingdom	7.5	4.2	2.5	2.0	2.7	2.5	1.8
United States	4.2	3.0	3.0	2.6	2.8	3.0	2.3

TABLE 15 (CONTINUED)

(Per Cent)

	1998	1999	2000	2001	2002	2003	2004
Ontario	0.9	1.9	2.9	3.1	2.0	2.7	1.9
Canada	0.9	1.7	2.7	2.6	2.2	2.8	1.9
France	0.7	0.6	1.8	1.8	1.9	2.2	2.3
Germany	0.6	0.6	1.4	1.9	1.3	1.0	1.8
Italy	2.0	1.7	2.6	2.3	2.6	2.8	2.3
Japan	0.7	-0.3	-0.7	-0.7	-0.9	-0.3	0.0
United Kingdom	1.6	1.3	0.8	1.2	1.3	1.4	1.3
United States	1.6	2.2	3.4	2.8	1.6	2.3	2.7

Sources: OECD, U.S. Bureau of Labor Statistics and Statistics Canada

TABLE 16 G-7, EXCHANGE RATES, 1991-2004

(Foreign Currency per Canadian Dollar)

	1991	1992	1993	1994	1995	1996	1997
Euro*	–	–	–	–	–	–	–
France	4.925	4.380	4.390	4.066	3.637	3.752	4.211
Germany	1.449	1.292	1.282	1.188	1.044	1.104	1.251
Italy	1082.8	1019.6	1219.8	1180.7	1186.9	1131.6	1228.5
Japan	117.6	104.8	86.2	74.8	68.5	79.8	87.3
United Kingdom	0.495	0.471	0.517	0.478	0.462	0.470	0.441
United States	0.873	0.827	0.775	0.732	0.729	0.733	0.722

TABLE 16 (CONTINUED)

(Foreign Currency per Canadian Dollar)

	1998	1999	2000	2001	2002	2003	2004
Euro*	–	0.631	0.730	0.721	0.674	0.632	0.618
France	3.968	–	–	–	–	–	–
Germany	1.183	–	–	–	–	–	–
Italy	1168.2	–	–	–	–	–	–
Japan	87.8	76.3	72.6	78.4	79.7	82.7	83.1
United Kingdom	0.407	0.416	0.444	0.448	0.424	0.437	0.419
United States	0.674	0.673	0.673	0.646	0.637	0.714	0.768

* introduced January 4, 1999.

Note: All data are annual averages.

Source: Bank of Canada.

TABLE 17 ONTARIO, INTERNATIONAL MERCHANDISE EXPORTS[1] BY MAJOR COMMODITY[2], 2004

	Value ($ Millions)	Per Cent of Total
Motor Vehicles, Parts and Accessories	74,886	41.9
Machinery and Mechanical Appliances	19,533	10.9
Electrical Machinery and Equipment	8,873	5.0
Non-ferrous Metals and Allied Products	8,140	4.5
Plastics and Plastic Articles	7,191	4.0
Pulp; Paper and Allied Products	5,653	3.2
Prepared Foodstuffs, Beverages and Tobacco	5,024	2.8
Furniture and Fixtures, Signs, Prefabricated Buildings	4,741	2.7
Precious Metals, Stones and Coins	3,920	2.2
Other Chemical Products	3,758	2.1
Iron and Steel	3,415	1.9
Wood and Wood Products	3,326	1.9
Mineral Products	3,300	1.8
Articles of Iron and Steel	3,266	1.8
Pharmaceutical Products	2,716	1.5
Scientific, Professional and Photo Equipment, Clocks	2,243	1.3
Rubber and Rubber Articles	1,869	1.0
Vegetable Products; Fats and Oils	1,818	1.0
Organic Chemicals	1,543	0.9
Live Animals; Animal Products	1,512	0.8
Inorganic Chemicals; Chemical Elements and Compounds	1,420	0.8
Textiles and Textile Articles	1,342	0.7
Articles of Stone, Cement, Ceramic and Glass	1,335	0.7
Aircraft, Spacecraft and Parts	1,120	0.6
Printed Matter	766	0.4
Apparel and Clothing Accessories	431	0.2
Hides, Leather, Travel Goods and Furs	307	0.2
Toys, Games and Sports Equipment	305	0.2
Railway, Rolling Stock and Parts	291	0.2
Miscellaneous Articles; Works of Art	226	0.1
Other Textile and Clothing Articles	213	0.1
Ships, Boats and Floating Structures	73	0.0
Footwear	27	0.0
Headgear, Umbrellas, Artificial Flowers	25	0.0
Other Commodities[3]	4,298	2.4
Total Exports	**178,907**	**100.0**

Notes:
1 Domestic exports exclude re-exports.
2 Ontario Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes. Data are customs based.
3 Other Commodities includes special transactions.
Source: Industry Canada

TABLE 18 ONTARIO, INTERNATIONAL MERCHANDISE IMPORTS BY MAJOR COMMODITY[1], 2004

	Value ($ Millions)	Per Cent of Total
Motor Vehicles, Parts and Accessories	50,383	22.9
Machinery and Mechanical Appliances	39,673	18.0
Electrical Machinery and Equipment	24,283	11.0
Plastics and Plastic Articles	8,976	4.1
Scientific, Professional and Photo Equipment, Clocks	8,304	3.8
Other Chemical Products	7,990	3.6
Non-ferrous Metals and Allied Products	7,392	3.4
Pharmaceutical Products	6,162	2.8
Prepared Foodstuffs, Beverages and Tobacco	5,769	2.6
Mineral Products	5,283	2.4
Iron and Steel	4,777	2.2
Vegetable Products; Fats and Oils	4,361	2.0
Pulp; Paper and Allied Products	4,277	1.9
Furniture and Fixtures, Signs, Prefabricated Buildings	4,144	1.9
Articles of Iron and Steel	3,958	1.8
Organic Chemicals	3,713	1.7
Rubber and Rubber Articles	3,452	1.6
Articles of Stone, Cement, Ceramic and Glass	2,988	1.4
Textiles and Textile Articles	2,571	1.2
Apparel and Clothing Accessories	2,571	1.2
Printed Matter	2,437	1.1
Precious Metals, Stones and Coins	2,193	1.0
Toys, Games and Sports Equipment	1,950	0.9
Wood and Wood Products	1,499	0.7
Live Animals; Animal Products	1,495	0.7
Aircraft, Spacecraft and Parts	1,383	0.6
Inorganic Chemicals; Chemical Elements and Compounds	933	0.4
Railway, Rolling Stock and Parts	800	0.4
Hides, Leather, Travel Goods and Furs	768	0.3
Miscellaneous Articles; Works of Art	694	0.3
Footwear	690	0.3
Other Textile and Clothing Articles	542	0.2
Ships, Boats and Floating Structures	278	0.1
Headgear, Umbrellas, Artificial Flowers	166	0.1
Other Commodities[2]	3,407	1.5
Total Imports	**220,263**	**100.0**

Notes:

1. Ontario Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes. Data are customs based.
2. Other Commodities includes trans-shipments from one province to another through a foreign jurisdiction and special transactions.

Source: Industry Canada.

TABLE 19 ONTARIO, INTERNATIONAL MERCHANDISE TRADE[1] BY MAJOR REGION, 2004

	Exports ($ Millions)	Per Cent of Total	Imports ($ Millions)	Per Cent of Total
United States	162,075	90.6	152,281	69.1
Western Europe	8,740	4.9	18,308	8.3
Eastern Europe	489	0.3	1,066	0.5
European Union	7,441	4.2	17,556	8.0
Asia	3,583	2.0	30,312	13.8
Oceania (Pacific)	832	0.5	706	0.3
Pacific Rim	4,183	2.3	29,742	13.5
Chinese Economic Area[2]	1,464	0.8	14,721	6.7
Caribbean	278	0.2	175	0.1
Latin America	1,653	0.9	13,849	6.3
Mexico	1,010	0.6	11,111	5.0
Middle East	907	0.5	783	0.4
Africa	350	0.2	577	0.3
Re-imports (Canada)	0	0.0	2,205	1.0
Total	**178,907**	**100.0**	**220,263**	**100.0**

Notes:

1. Data are customs based and do not include re-exports.
2. Chinese Economic Area includes China, Hong Kong and Mongolia.

Source: Industry Canada.

TABLE 20 CANADA, INTERNATIONAL MERCHANDISE TRADE[1] BY MAJOR REGION, 2004

	Exports ($ Millions)	Per Cent of Total	Imports ($ Millions)	Per Cent of Total
United States	326,016	84.7	208,954	58.8
Western Europe	22,330	5.8	47,455	13.3
Eastern Europe	1,176	0.3	3,152	0.9
European Union	20,645	5.4	42,000	11.8
Asia	22,958	6.0	58,877	16.6
Oceania (Pacific)	1,927	0.5	2,341	0.7
Pacific Rim	23,503	6.1	58,423	16.4
Chinese Economic Area[2]	7,261	1.9	24,874	7.0
Caribbean	870	0.2	1,420	0.4
Latin America	5,856	1.5	20,969	5.9
Mexico	2,871	0.7	13,409	3.8
Middle East	2,277	0.6	3,890	1.1
Africa	1,620	0.4	4,980	1.4
Re-imports (Canada)	0	0.0	3,528	1.0
Total	**385,034**	**100.0**	**355,567**	**100.0**

Notes:

1. Data are customs based and do not include re-exports.
2. Chinese Economic Area includes China, Hong Kong and Mongolia.

Source: Industry Canada.

TABLE 21 ONTARIO, SELECTED DEMOGRAPHIC CHARACTERISTICS, 1986-2005[1]

	Intercensal Estimates			Postcensal Estimates[2]				
	1986	1991	1996	2001	2002	2003	2004	2005[5]
Total Population (000s)	9,438	10,428	11,083	11,898	12,102	12,260	12,407	12,541
Annual Average Growth								
Over Preceding Year Shown (%)	1.4	2.0	1.2	1.4	1.7	1.3	1.2	1.1
Median Age (Years)	31.9	33.3	35.0	36.7	37.0	37.4	37.7	NA
Age Group Shares (%)								
0-4	6.8	7.0	6.8	6.0	5.8	5.6	5.4	NA
5-14	13.4	13.1	13.5	13.5	13.4	13.2	13.0	NA
15-24	17.1	14.5	13.2	13.4	13.4	13.5	13.5	NA
25-44	32.1	34.2	32.9	31.5	31.3	30.9	30.6	NA
45-64	19.8	19.6	21.3	23.2	23.6	24.2	24.7	NA
65-74	6.5	7.0	7.3	7.0	6.9	6.9	6.9	NA
75+	4.2	4.6	5.0	5.6	5.7	5.8	5.9	NA
Total Fertility Rate[3]	1.6	1.7	1.6	1.5	1.5	1.5	NA	NA
Life Expectancy (Years)[3]								
Female	80.0	80.8	81.3	82.2	82.2	NA	NA	NA
Male	73.7	75.0	75.9	77.5	77.7	NA	NA	NA
Families (000s)[4]	2,445	2,727	2,933	3,191	NA	NA	NA	NA
Households (000s)[4]	3,222	3,638	3,925	4,219	NA	NA	NA	NA

Notes:

1. Population figures are for July 1 (census year).
2. Estimates by Statistics Canada based on the 2001 Census adjusted for net Census undercoverage.
3. Calendar-year data.
4. Families and Households are Census data.
5. Not released as at October 25, 2005.

Source: Statistics Canada.

TABLE 22 ONTARIO, COMPONENTS OF POPULATION GROWTH, 1995-96 TO 2004-05[1]

(Thousands)

	1995-96	1996-97	1997-98	1998-99	1999-00
Population at Beginning of Period	**10,950**	**11,083**	**11,228**	**11,367**	**11,506**
Births	143	136	133	131	131
Deaths	78	80	80	80	81
Immigrants	116	119	106	92	117
Net Emigrants[3]	25	27	26	24	24
Net Change in Non-permanent Residents	-10	-3	-3	6	16
Interprovincial Arrivals	69	70	75	73	79
Interprovincial Departures	72	68	66	56	57
Population Growth During Period	133	145	139	139	179
Population at End of Period[2]	**11,083**	**11,228**	**11,367**	**11,506**	**11,685**
Population Growth (%)	1.2	1.3	1.2	1.2	1.6

TABLE 22 (CONTINUED)

(Thousands)

	2000-01	2001-02	2002-03	2003-04	2004-05
Population at Beginning of Period	**11,685**	**11,898**	**12,102**	**12,260**	**12,407**
Births	128	129	129	131	131
Deaths	81	81	84	86	89
Immigrants	150	153	110	128	130
Net Emigrants[3]	23	19	20	20	20
Net Change in Non-permanent Residents	21	17	21	2	-10
Interprovincial Arrivals	75	70	64	57	62
Interprovincial Departures	56	65	64	64	71
Population Growth During Period	212	204	158	148	134
Population at End of Period[2]	**11,898**	**12,102**	**12,260**	**12,407**	**12,541**
Population Growth (%)	1.8	1.7	1.3	1.2	1.1

Notes:

1. Data are from July 1 to June 30 (census year).
2. The sum of the components does not equal the total change in population due to residual deviation.
3. Net Emigrants = Emigrants plus temporarily abroad minus returning emigrants.

Source: Statistics Canada. Estimates based on the 2001 Census adjusted for net Census undercoverage.

TABLE 23 — ONTARIO, LABOUR FORCE, 1991-2004

	1991	1992	1993	1994	1995	1996	1997
Labour Force (000s)	5,545	5,526	5,542	5,544	5,584	5,673	5,771
Annual Labour Force Growth (%)	0.2	-0.3	0.3	0.0	0.7	1.6	1.7
Participation Rate (%)							
Male	76.4	75.1	74.3	73.4	72.7	72.5	72.8
Female	61.0	59.8	59.4	58.7	58.5	58.8	58.9
Share of Labour Force (%)							
Youth (15-24)	18.6	18.1	17.3	16.8	16.4	16.2	15.9
Older Workers (45+)	26.6	27.4	28.1	28.8	29.1	29.5	30.2

TABLE 23 (CONTINUED)

	1998	1999	2000	2001	2002	2003	2004
Labour Force (000s)	5,876	6,016	6,170	6,327	6,499	6,672	6,775
Annual Labour Force Growth (%)	1.8	2.4	2.6	2.5	2.7	2.7	1.5
Participation Rate (%)							
Male	72.5	73.1	73.3	73.4	73.7	74.3	74.1
Female	59.6	60.2	61.0	61.4	62.1	62.9	63.0
Share of Labour Force (%)							
Youth (15-24)	15.8	16.1	16.4	16.3	16.4	16.3	16.2
Older Workers (45+)	30.7	31.4	32.0	32.6	33.4	34.7	35.4

Source: Statistics Canada.

TABLE 24 — ONTARIO, EMPLOYMENT, 1991-2004

	1991	1992	1993	1994	1995	1996	1997
Total Employment (000s)	5,015	4,929	4,935	5,009	5,093	5,158	5,283
Male	2,718	2,657	2,670	2,711	2,758	2,786	2,867
Female	2,297	2,272	2,264	2,298	2,334	2,372	2,417
Annual Employment Growth (%)	-3.4	-1.7	0.1	1.5	1.7	1.3	2.4
Net Job Creation (000s)	-176	-86	5	74	84	66	125
Private-sector Employment (000s)	3,368	3,271	3,246	3,315	3,431	3,507	3,560
Public-sector Employment (000s)	983	983	968	964	938	893	872
Self-employment (000s)	664	675	720	730	723	759	852
Manufacturing Employment (% of total)	18.1	17.5	16.7	16.8	17.3	17.6	17.7
Services Employment (% of total)	71.6	72.6	73.7	73.7	73.5	73.5	73.3
Part-time (% of total)	18.2	18.5	19.6	19.0	18.8	19.3	19.2
Average Hours Worked Per Week[1]	37.4	36.7	37.2	37.6	37.3	37.6	37.8

TABLE 24 (CONTINUED)	1998	1999	2000	2001	2002	2003	2004
Total Employment (000s)	5,451	5,633	5,814	5,926	6,035	6,208	6,316
Male	2,936	3,036	3,123	3,168	3,212	3,298	3,350
Female	2,515	2,597	2,691	2,758	2,824	2,910	2,966
Annual Employment Growth (%)	3.2	3.3	3.2	1.9	1.8	2.9	1.7
Net Job Creation (000s)	168	182	181	112	110	173	108
Private-sector Employment (000s)	3,707	3,815	3,929	4,051	4,115	4,240	4,276
Public-sector Employment (000s)	867	922	982	996	1,036	1,047	1,106
Self-employment (000s)	877	896	903	878	884	922	935
Manufacturing Employment (% of total)	18.1	18.5	18.6	18.0	18.2	17.8	17.6
Services Employment (% of total)	73.2	72.7	72.8	73.5	73.4	73.6	73.9
Part-time (% of total)	18.7	18.0	18.0	17.9	18.3	18.5	18.1
Average Hours Worked Per Week[1]	37.8	38.0	38.1	37.5	37.3	36.6	37.1

Note:

1. Average actual hours worked per week at all jobs, excluding persons not at work, in reference week.

Source: Statistics Canada.

TABLE 25 — ONTARIO, UNEMPLOYMENT, 1991-2004

	1991	1992	1993	1994	1995	1996	1997
Total Unemployment (000s)	530	597	608	535	491	515	488
Unemployment Rate (%)	9.6	10.8	11.0	9.7	8.8	9.1	8.4
Male	10.1	12.0	11.6	10.1	8.9	9.1	8.2
Female	9.0	9.4	10.3	9.1	8.7	9.1	8.8
Toronto CMA[1]	9.6	11.3	11.3	10.4	8.6	9.1	8.0
Northern Ontario	11.5	12.8	12.7	11.8	10.1	10.9	10.5
Youth (15-24)	15.0	17.6	17.7	15.7	14.8	15.0	16.4
Older Workers (45+)	6.8	7.6	7.7	7.1	6.5	6.4	6.0
Share of Total Unemployment (%)							
Long-term Unemployed (27 weeks+)	22.5	29.9	33.5	32.6	29.5	28.2	25.5
Youth (15-24)	29.3	29.5	28.0	27.3	27.6	26.7	30.9
Older Workers (45+)	19.0	19.2	19.8	21.2	21.6	20.9	21.5
Average Duration (weeks)[2]	18.5	23.5	27.0	27.7	25.9	24.8	26.6
Youth (15-24)	13.5	16.8	18.3	17.9	16.3	15.4	13.8
Older Workers (45+)	22.6	30.1	34.1	35.0	33.4	31.1	42.2

TABLE 25 (CONTINUED)

	1998	1999	2000	2001	2002	2003	2004
Total Unemployment (000s)	425	383	356	401	463	464	459
Unemployment Rate (%)	7.2	6.4	5.8	6.3	7.1	7.0	6.8
Male	7.2	6.2	5.6	6.5	7.4	7.1	6.9
Female	7.3	6.5	6.0	6.2	6.8	6.8	6.6
Toronto CMA[1]	7.0	6.1	5.5	6.3	7.4	7.7	7.5
Northern Ontario	11.1	9.2	8.3	8.0	8.1	7.4	7.8
Youth (15-24)	14.4	13.2	11.8	12.5	13.9	14.4	14.2
Older Workers (45+)	5.4	4.2	4.0	4.4	4.7	4.7	4.5
Share of Total Unemployment (%)							
Long-term Unemployed (27 weeks+)	21.9	19.1	15.4	12.8	15.5	16.2	15.5
Youth (15-24)	31.5	33.5	33.7	32.2	31.9	33.9	34.0
Older Workers (45+)	22.7	20.9	22.4	22.8	22.1	23.5	23.4
Average Duration (weeks)[2]	23.2	21.3	17.8	15.3	16.4	17.0	16.1
Youth (15-24)	12.8	11.6	9.8	8.6	9.4	9.4	8.8
Older Workers (45+)	39.0	34.2	28.4	25.7	24.5	27.3	24.2

Notes:

1. CMA is Census Metropolitan Area. Toronto CMA includes the City of Toronto; the Regions of York, Peel and Halton (excluding Burlington); Uxbridge, Pickering, Ajax, Mono, Orangeville, New Tecumseth and Bradford West Gwillimbury.
2. Prior to 1997, unemployment of 100 or more weeks was recorded as 99 due to data processing limitations. This restriction was removed for data after 1996.

Source: Statistics Canada.

TABLE 26 ONTARIO, EMPLOYMENT INSURANCE (EI) AND SOCIAL ASSISTANCE, 1991-2004

	1991	1992	1993	1994	1995	1996	1997
EI Regular Beneficiaries (000s)	319	322	294	228	181	180	151
EI Maximum Insurable Earnings ($)[1]	680	710	745	780	815	750	39,000
EI Maximum Weekly Entitlement ($)	408	426	425	429	448	413	413
EI Premium Rate							
Employer ($/$100 Insurable Earnings)	3.15/3.92[2]	4.20	4.20	4.30	4.20	4.13	4.06
Employee ($/$100 Insurable Earnings)	2.25/2.80[2]	3.00	3.00	3.07	3.00	2.95	2.90
EI Total Benefits Paid ($ millions)[3]	5,362	5,845	5,406	4,511	3,796	3,653	3,436
EI Premiums Paid ($ millions)[3]	6,220	7,353	7,567	8,067	7,929	7,582	8,173
Social Assistance Caseload (000s)[5]	499	608	660	673	660	599	568

TABLE 26 (CONTINUED)	1998	1999	2000	2001	2002	2003	2004
EI Regular Beneficiaries (000s)	131	110	101	122	136	142	136
EI Maximum Insurable Earnings ($)[1]	39,000	39,000	39,000	39,000	39,000	39,000	39,000
EI Maximum Weekly Entitlement ($)	413	413	413	413	413	413	413
EI Premium Rate							
Employer ($/$100 Insurable Earnings)	3.78	3.57	3.36	3.15	3.08	2.94	2.77
Employee ($/$100 Insurable Earnings)	2.70	2.55	2.40	2.25	2.20	2.10	1.98
EI Total Benefits Paid ($ millions)[3]	3,141	3,051	2,787	3,524	4,328	4,342	4,429
EI Premiums Paid ($ millions)[3]	7,679	7,614	7,671	7,477	7,392	7,188[4]	6,723[4]
Social Assistance Caseload (000s)[5]	529	479	436	408	411	413	418

Notes:

1. Effective January 1, 1997, the maximum weekly insurable earnings of $750 was eliminated and replaced with an annual maximum set at $39,000.
2. Premium rates for 1991 changed at mid-year.
3. Employment Insurance benefit payments are on a cash basis; premiums are paid on an accrual basis.
4. Premiums paid in 2003 and 2004 are Ontario Ministry of Finance estimates.
5. The number of social assistance cases from 1998 to 2004 includes Ontario Works, the Ontario Disability Support Program, Temporary Care Assistance and Assistance for Children with Severe Disabilities. The *Ontario Works Act* was proclaimed in May 1998 and replaced the *General Welfare Act*. The *Ontario Disability Support Program Act* was proclaimed in June 1998.

Sources: Statistics Canada, Human Resources and Skills Development Canada, Ontario Ministry of Finance and Ontario Ministry of Community and Social Services.

TABLE 27 — ONTARIO, LABOUR COMPENSATION, 1991-2004

	1991	1992	1993	1994	1995	1996	1997
Average Weekly Earnings ($)[1]	576.13	598.80	612.33	628.16	634.17	649.55	663.73
Increase (%)	NA	3.9	2.3	2.6	1.0	2.4	2.2
CPI Inflation (%)	4.7	1.0	1.8	0.0	2.5	1.5	1.9
AWE Increase Less CPI Inflation (%)	NA	2.9	0.5	2.6	-1.5	0.9	0.3
AWE – Manufacturing ($)	683.30	716.55	739.20	761.95	770.80	794.09	821.28
Increase (%)	NA	4.9	3.2	3.1	1.2	3.0	3.4
Increase Less CPI Inflation (%)	NA	3.9	1.4	3.1	-1.3	1.5	1.5
Wage Settlement Increases (%)[2]							
All Sectors	4.7	2.7	1.0	0.4	1.0	1.1	1.2
Public	5.0	2.6	0.5	0.1	0.2	0.3	0.7
Private	3.8	2.7	1.9	1.1	1.7	2.2	2.3
Person Days Lost Due to Strikes and Lockouts (000s)	454	578	371	488	477	1,915	1,904
Minimum Wage at Year-end ($/hour)	6.00	6.35	6.35	6.70	6.85	6.85	6.85

TABLE 27 (CONTINUED)

	1998	1999	2000	2001	2002	2003	2004
Average Weekly Earnings ($)[1]	672.67	683.70	700.12	712.88	726.21	734.78	748.10
Increase (%)	1.3	1.6	2.4	1.8	1.9	1.2	1.8
CPI Inflation (%)	0.9	1.9	2.9	3.1	2.0	2.7	1.9
AWE Increase Less CPI Inflation (%)	0.4	-0.3	-0.5	-1.3	-0.1	-1.5	-0.1
AWE – Manufacturing ($)	841.78	852.13	869.40	882.76	906.10	917.84	934.23
Increase (%)	2.5	1.2	2.0	1.5	2.6	1.3	1.8
Increase Less CPI Inflation (%)	1.6	-0.7	-0.9	-1.6	0.6	-1.4	-0.1
Wage Settlement Increases (%)[2]							
All Sectors	1.6	2.1	2.6	3.0	3.0	3.1	2.8
Public	1.3	1.4	2.7	2.9	2.9	3.5	3.1
Private	2.1	3.1	2.4	3.0	3.0	1.9	2.6
Person Days Lost Due to Strikes and Lockouts (000s)	1,061	651	650	672	1,511	495	487
Minimum Wage at Year-end ($/hour)	6.85	6.85	6.85	6.85	6.85	6.85	7.15

Notes:

1. Average Weekly Earnings (AWE) includes overtime. In 2001, Statistics Canada changed its estimates of AWE from the 1980 Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS). AWE based on NAICS is available only back to 1991.
2. Wage settlement increases are for collective agreements covering 200 or more employees. Ontario Ministry of Labour.

Sources: Statistics Canada, Ontario Ministry of Labour and Ontario Ministry of Finance.

TABLE 28 ONTARIO, EMPLOYMENT BY OCCUPATION, 1993-2004

(Thousands)

	1993	1994	1995	1996	1997	1998
Management	523	505	544	536	547	553
Business, Finance and Administrative	972	978	983	981	974	1,012
Natural and Applied Sciences	268	273	304	294	327	355
Health	254	254	248	243	258	254
Social Science, Education, Government Service and Religion	387	425	395	396	397	418
Art, Culture, Recreation and Sport	140	147	142	149	150	158
Sales and Service	1,138	1,132	1,153	1,186	1,201	1,237
Trades, Transport and Equipment Operators	715	738	758	772	810	827
Primary Industry	154	148	142	141	142	138
Processing, Manufacturing and Utilities	383	408	424	460	478	500
Total	**4,935**	**5,009**	**5,093**	**5,158**	**5,283**	**5,451**

TABLE 28 (CONTINUED)

(Thousands)

	1999	2000	2001	2002	2003	2004
Management	547	563	552	563	586	618
Business, Finance and Administrative	1,032	1,056	1,115	1,118	1,145	1,200
Natural and Applied Sciences	399	428	454	446	448	435
Health	264	278	293	322	332	345
Social Science, Education, Government Service and Religion	437	451	467	472	473	475
Art, Culture, Recreation and Sport	171	173	183	178	190	200
Sales and Service	1,282	1,339	1,358	1,392	1,450	1,432
Trades, Transport and Equipment Operators	819	834	852	867	891	904
Primary Industry	152	143	130	124	131	134
Processing, Manufacturing and Utilities	530	550	523	553	563	573
Total	**5,633**	**5,814**	**5,926**	**6,035**	**6,208**	**6,316**

Note: Occupational groupings based on National Occupational Classification for Statistics (NOC-S) 2001.

Source: Statistics Canada

TABLE 29 ONTARIO, DISTRIBUTION OF EMPLOYMENT BY OCCUPATION, 1993-2004

(Per Cent)

	1993	1994	1995	1996	1997	1998
Management	10.6	10.1	10.7	10.4	10.3	10.1
Business, Finance and Administrative	19.7	19.5	19.3	19.0	18.4	18.6
Natural and Applied Sciences	5.4	5.5	6.0	5.7	6.2	6.5
Health	5.1	5.1	4.9	4.7	4.9	4.7
Social Science, Education, Government Service and Religion	7.8	8.5	7.8	7.7	7.5	7.7
Art, Culture, Recreation and Sport	2.8	2.9	2.8	2.9	2.8	2.9
Sales and Service	23.1	22.6	22.6	23.0	22.7	22.7
Trades, Transport and Equipment Operators	14.5	14.7	14.9	15.0	15.3	15.2
Primary Industry	3.1	2.9	2.8	2.7	2.7	2.5
Processing, Manufacturing and Utilities	7.8	8.1	8.3	8.9	9.1	9.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

TABLE 29 (CONTINUED)

(Per Cent)

	1999	2000	2001	2002	2003	2004
Management	9.7	9.7	9.3	9.3	9.4	9.8
Business, Finance and Administrative	18.3	18.2	18.8	18.5	18.4	19.0
Natural and Applied Sciences	7.1	7.4	7.7	7.4	7.2	6.9
Health	4.7	4.8	4.9	5.3	5.4	5.5
Social Science, Education, Government Service and Religion	7.8	7.8	7.9	7.8	7.6	7.5
Art, Culture, Recreation and Sport	3.0	3.0	3.1	2.9	3.1	3.2
Sales and Service	22.8	23.0	22.9	23.1	23.4	22.7
Trades, Transport and Equipment Operators	14.5	14.3	14.4	14.4	14.4	14.3
Primary Industry	2.7	2.5	2.2	2.1	2.1	2.1
Processing, Manufacturing and Utilities	9.4	9.5	8.8	9.2	9.1	9.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: Occupational groupings based on National Occupational Classification for Statistics (NOC-S) 2001.
Source: Statistics Canada.

TABLE 30 ONTARIO, EMPLOYMENT BY INDUSTRY, 1995-2004

(Thousands)

	1995	1996	1997	1998	1999
Goods Producing Industries	1,347	1,368	1,408	1,461	1,535
Primary Industries	149	149	141	143	152
Agriculture	105	103	100	104	113
Manufacturing	880	907	938	986	1,042
Construction	267	261	282	285	295
Utilities	50	51	48	48	46
Services Producing Industries	3,745	3,790	3,875	3,990	4,098
Trade	763	781	802	809	845
Transportation and Warehousing	237	241	244	258	259
Finance, Insurance, Real Estate and Leasing	364	371	374	372	383
Professional, Scientific and Technical Services	300	313	349	375	397
Business, Building and Other Support	170	178	194	207	222
Educational Services	357	340	339	343	359
Health Care and Social Assistance	490	485	480	502	501
Information, Culture and Recreation	231	234	248	247	261
Accommodation and Food Services	291	311	316	334	338
Public Administration	305	290	277	281	280
Other Services	238	246	252	262	254
Total Employment	5,093	5,158	5,283	5,451	5,633

TABLE 30 (CONTINUED) ONTARIO, EMPLOYMENT BY INDUSTRY, 1995-2004

(Thousands)

	2000	2001	2002	2003	2004
Goods Producing Industries	**1,579**	**1,572**	**1,608**	**1,641**	**1,649**
Primary Industries	134	119	112	113	113
Agriculture	99	83	77	82	79
Manufacturing	1,080	1,066	1,097	1,102	1,109
Construction	321	337	346	371	369
Utilities	45	50	52	54	58
Services Producing Industries	**4,235**	**4,354**	**4,428**	**4,568**	**4,667**
Trade	877	928	920	937	963
Transportation and Warehousing	274	278	279	289	300
Finance, Insurance, Real Estate and Leasing	381	390	389	409	430
Professional, Scientific and Technical Services	417	437	437	448	436
Business, Building and Other Support	240	242	247	264	277
Educational Services	365	357	368	375	390
Health Care and Social Assistance	537	563	584	613	636
Information, Culture and Recreation	283	302	297	293	304
Accommodation and Food Services	336	330	363	369	365
Public Administration	279	281	297	309	311
Other Services	245	246	246	262	257
Total Employment	**5,814**	**5,926**	**6,035**	**6,208**	**6,316**

Note: Industrial groupings based on North American Industry Classification System (NAICS).

Source: Statistics Canada.

TABLE 31 ONTARIO, GROWTH IN EMPLOYMENT BY INDUSTRY, 1995-2004

(Per Cent Change)

	1995	1996	1997	1998	1999
Goods Producing Industries	**2.3**	**1.6**	**3.0**	**3.8**	**5.0**
Primary Industries	-3.9	0.1	-5.5	1.0	6.3
Agriculture	-6.8	-1.1	-3.3	4.1	8.8
Manufacturing	4.4	3.0	3.4	5.2	5.7
Construction	-0.3	-2.4	7.9	1.2	3.5
Utilities	0.6	1.6	-5.5	-0.8	-2.7
Services Producing Industries	**1.4**	**1.2**	**2.2**	**3.0**	**2.7**
Trade	-0.5	2.4	2.7	0.8	4.4
Transportation and Warehousing	3.8	1.4	1.5	5.4	0.5
Finance, Insurance, Real Estate and Leasing	2.1	2.1	0.7	-0.4	2.9
Professional, Scientific and Technical Services	6.7	4.4	11.3	7.6	5.9
Business, Building and Other Support	7.7	4.6	8.9	7.0	6.9
Educational Services	-1.3	-4.8	-0.2	1.1	4.7
Health Care and Social Assistance	0.2	-0.9	-1.2	4.6	-0.1
Information, Culture and Recreation	5.5	1.2	6.1	-0.5	5.6
Accommodation and Food Services	1.4	7.1	1.5	5.8	1.2
Public Administration	-2.7	-5.0	-4.3	1.3	-0.4
Other Services	2.4	3.1	2.6	4.0	-3.2
Total Employment	**1.7**	**1.3**	**2.4**	**3.2**	**3.3**

TABLE 31 (CONTINUED) ONTARIO, GROWTH IN EMPLOYMENT BY INDUSTRY, 1995-2004

(Per Cent Change)

	2000	2001	2002	2003	2004
Goods Producing Industries	**2.9**	**-0.4**	**2.3**	**2.1**	**0.5**
Primary Industries	-11.8	-10.9	-5.8	0.8	0.1
Agriculture	-12.9	-15.7	-7.2	5.7	-3.7
Manufacturing	3.6	-1.3	2.9	0.5	0.6
Construction	8.8	5.0	2.6	7.4	-0.8
Utilities	-3.5	12.1	4.6	2.9	8.2
Services Producing Industries	**3.4**	**2.8**	**1.7**	**3.2**	**2.2**
Trade	3.9	5.8	-0.9	1.8	2.8
Transportation and Warehousing	5.9	1.4	0.2	3.8	3.8
Finance, Insurance, Real Estate and Leasing	-0.5	2.3	-0.2	5.0	5.1
Professional, Scientific and Technical Services	5.1	4.7	0.0	2.6	-2.8
Business, Building and Other Support	8.2	0.8	2.3	6.7	5.0
Educational Services	1.8	-2.3	3.1	1.9	4.0
Health Care and Social Assistance	7.2	4.8	3.8	4.9	3.7
Information, Culture and Recreation	8.6	6.7	-1.6	-1.5	3.7
Accommodation and Food Services	-0.6	-1.9	10.0	1.6	-1.1
Public Administration	-0.2	0.8	5.8	4.0	0.4
Other Services	-3.6	0.3	0.2	6.5	-1.9
Total Employment	**3.2**	**1.9**	**1.8**	**2.9**	**1.7**

Note: Industrial groupings based on North American Industry Classification System (NAICS).
Source: Statistics Canada

TABLE 32 ONTARIO, EMPLOYMENT LEVEL BY ECONOMIC REGIONS, 1994-2004

(Thousands)

	1994	1995	1996	1997	1998	1999
Ontario	**5,009**	**5,093**	**5,158**	**5,283**	**5,451**	**5,633**
Region:*						
East	**698**	**672**	**673**	**684**	**721**	**747**
Ottawa (510)	517	497	505	512	538	550
Kingston-Pembroke (515)	181	175	168	172	183	197
Greater Toronto Area (530)[1]	**2,103**	**2,201**	**2,237**	**2,336**	**2,409**	**2,482**
Central	**1,164**	**1,180**	**1,199**	**1,220**	**1,267**	**1,310**
Muskoka-Kawarthas (520)	132	144	145	146	148	156
Kitchener-Waterloo-Barrie (540)	470	466	475	493	512	541
Hamilton-Niagara Peninsula (550)	562	571	579	581	607	613
Southwest	**703**	**681**	**695**	**701**	**710**	**740**
London (560)	287	282	277	281	285	298
Windsor-Sarnia (570)	274	270	277	276	283	293
Stratford-Bruce Peninsula (580)	143	129	141	144	142	148
North	**341**	**359**	**354**	**343**	**344**	**354**
Northeast (590)	234	246	245	239	240	245
Northwest (595)	107	113	109	104	104	110

TABLE 32 (CONTINUED)

(Thousands)

	2000	2001	2002	2003	2004
Ontario	**5,814**	**5,926**	**6,035**	**6,208**	**6,316**
Region:*					
East	**757**	**784**	**794**	**816**	**819**
Ottawa (510)	571	592	596	617	614
Kingston-Pembroke (515)	186	192	199	199	205
Greater Toronto Area (530)[1]	**2,580**	**2,665**	**2,722**	**2,798**	**2,853**
Central	**1,358**	**1,363**	**1,388**	**1,450**	**1,477**
Muskoka-Kawarthas (520)	160	152	155	175	179
Kitchener-Waterloo-Barrie (540)	550	559	579	596	611
Hamilton-Niagara Peninsula (550)	648	651	654	679	686
Southwest	**760**	**755**	**765**	**775**	**803**
London (560)	307	305	308	317	331
Windsor-Sarnia (570)	301	302	307	308	308
Stratford-Bruce Peninsula (580)	152	148	151	150	164
North	**359**	**359**	**365**	**369**	**365**
Northeast (590)	248	251	251	253	254
Northwest (595)	111	108	113	116	111

* Standard deviations vary significantly across regions, decreasing as the size of the region increases.

Notes:
All figures are average annual employment levels.
1. Economic region of Toronto (530) closely matches the GTA, except that it excludes the City of Burlington.

Sources: Statistics Canada and Ontario Ministry of Finance.

TABLE 33 ONTARIO, EMPLOYMENT LEVEL BY INDUSTRY FOR ECONOMIC REGIONS, 2004

(Thousands)

	All Industries	Agriculture	Resources[1]	Manufacturing
Ontario	**6,316**	**79**	**35**	**1,109**
Region:				
East	**819**	**12**	**3**	**83**
Ottawa (510)	614	9	...	57
Kingston-Pembroke (515)	205	3	3	26
Greater Toronto Area (530)	**2,853**	**8**	**3**	**515**
Central	**1,477**	**28**	**4**	**303**
Muskoka-Kawarthas (520)	179	4	...	25
Kitchener-Waterloo-Barrie (540)	611	10	...	143
Hamilton-Niagara Peninsula (550)	686	14	2	135
Southwest	**803**	**28**	**2**	**172**
London (560)	331	10	...	61
Windsor-Sarnia (570)	308	7	...	76
Stratford-Bruce Peninsula (580)	164	10	...	35
North	**365**	**3**	**22**	**35**
Northeast (590)	254	2	17	21
Northwest (595)	111	...	5	14

TABLE 33 (CONTINUED)

(Thousands)

	Construction	Distributive[2]	Finance, Prof. & Mgmt.[3]	Info. Culture & Recreation[4]
Ontario	**368**	**598**	**1,143**	**304**
Region:				
East	**44**	**61**	**127**	**36**
Ottawa (510)	30	44	103	31
Kingston-Pembroke (515)	14	16	24	5
Greater Toronto Area (530)	**156**	**300**	**665**	**158**
Central	**98**	**127**	**209**	**61**
Muskoka-Kawarthas (520)	16	16	25	7
Kitchener-Waterloo-Barrie (540)	45	51	85	18
Hamilton-Niagara Peninsula (550)	37	60	98	36
Southwest	**48**	**76**	**100**	**35**
London (560)	19	33	51	11
Windsor-Sarnia (570)	17	23	35	17
Stratford-Bruce Peninsula (580)	12	19	14	7
North	**22**	**35**	**41**	**14**
Northeast (590)	14	23	29	10
Northwest (595)	7	12	12	4

TABLE 33 (CONTINUED)

(Thousands)

	Retail Trade	Personal Services[5]	Education
Ontario	**724**	**622**	**390**
Region:			
East	**94**	**89**	**54**
Ottawa (510)	66	61	38
Kingston-Pembroke (515)	28	28	16
Greater Toronto Area (530)	**308**	**253**	**160**
Central	**181**	**153**	**103**
Muskoka-Kawarthas (520)	26	18	12
Kitchener-Waterloo-Barrie (540)	70	58	43
Hamilton-Niagara Peninsula (550)	85	77	47
Southwest	**92**	**84**	**45**
London (560)	38	33	21
Windsor-Sarnia (570)	35	34	17
Stratford-Bruce Peninsula (580)	19	17	7
North	**49**	**43**	**27**
Northeast (590)	36	29	19
Northwest (595)	13	14	8

TABLE 33 (CONTINUED)

(Thousands)

	Health & Soc. Assistance	Public Administration
Ontario	**636**	**310**
Region:		
East	**92**	**124**
Ottawa (510)	62	110
Kingston-Pembroke (515)	30	13
Greater Toronto Area (530)	**241**	**86**
Central	**155**	**54**
Muskoka-Kawarthas (520)	24	6
Kitchener-Waterloo-Barrie (540)	60	25
Hamilton-Niagara Peninsula (550)	71	23
Southwest	**96**	**24**
London (560)	44	9
Windsor-Sarnia (570)	33	11
Stratford-Bruce Peninsula (580)	19	4
North	**52**	**23**
Northeast (590)	38	15
Northwest (595)	14	7

All figures are average annual employment levels.
Sub-regional figures may not add up to regional totals due to rounding.
Employment numbers under 1,500 are suppressed because they are statistically unreliable.
See standard deviation and GTA note for Table 32.
Industrial groupings based on North American Industry Classification System (NAICS).
Notes:

1. Includes Forestry, Fishing, Mining, Oil and Gas.
2. Includes Transportation and Warehousing, Utilities and Wholesale Trade.
3. Includes Finance, Insurance, Real Estate and Leasing; Management of Companies, Administrative and Support Services; and Professional, Scientific and Technical Services.
4. Information, Culture and Recreation includes industries such as Publishing, Motion Picture and Sound Recording, Broadcasting and Telecommunications, Information Services and Data Processing Services, Performing Arts, Spectator Sports and Related Industries, Heritage Institutions and Amusement, Gambling and Recreation.
5. Includes Accommodation and Food Services and Other Services (such as Repair and Maintenance, Personal and Laundry, Religious, Grant-making, Civic, Professional and Similar Organizations).

Sources: Statistics Canada and Ontario Ministry of Finance.

TABLE 34 ONTARIO ECONOMIC REGIONS[1]

East	
Ottawa (510)	The united counties of Stormont, Dundas and Glengarry, Prescott and Russell, Leeds and Grenville, the county of Lanark and the Ottawa Division
Kingston-Pembroke (515)	The counties of Lennox and Addington, Hastings, Renfrew and Frontenac and the Prince Edward Division
Central	
Muskoka-Kawarthas (520)	The counties of Northumberland, Peterborough, Haliburton, the Muskoka District Municipality and the Kawartha Lakes Division
Kitchener-Waterloo-Barrie (540)	The counties of Dufferin, Wellington and Simcoe and the Waterloo Regional Municipality
Hamilton-Niagara Peninsula (550)	The county of Brant, the Regional Municipalities of Niagara, Haldimand-Norfolk, the Hamilton Division and the City of Burlington in Halton Regional Municipality
Greater Toronto Area[2]	
Toronto (530)	Toronto Division, the Regional Municipalities of Durham, York, Peel and Halton (excluding the City of Burlington)
Southwest	
London (560)	The counties of Oxford, Elgin and Middlesex
Windsor-Sarnia (570)	The counties of Lambton and Essex and the Chatham-Kent Division
Stratford-Bruce Peninsula (580)	The counties of Perth, Huron, Bruce and Grey
North	
Northeast (590)	The districts of Nipissing, Parry Sound, Manitoulin, Sudbury, Timiskaming, Cochrane, Algoma and the Greater Sudbury Division
Northwest (595)	The districts of Thunder Bay, Rainy River and Kenora

Notes:

1. As defined by Statistics Canada, Standard Geographical Classification SGC 2001.
2. Economic Region 530 closely matches the GTA, except that it excludes the City of Burlington.

ANNEX VII

How to Participate in the 2006 Pre-Budget Consultations

How to Participate in the 2006 Pre-Budget Consultations

The Minister of Finance will be hosting pre-budget consultations with individuals, organizations, associations and other stakeholders across the province as part of the McGuinty government's ongoing dialogue with the citizens of Ontario.

In particular, the Minister of Finance is interested in hearing Ontarians' views regarding what more the government can do to ensure a productive economy and better services for people, while maintaining the plan to eliminate the deficit no later than 2008-09.

Information identifying the communities and locations that the Minister plans to visit will be posted at www.fin.gov.on.ca in November 2005. Individuals wishing to appear at one of these consultations can call toll-free, 1-800-263-7965 or 1-800-263-7776 TTY.

Below you will find additional information on how to participate in the 2006 pre-budget consultations.

Written Submissions

Individuals and organizations can mail, e-mail or fax submissions directly to the Minister of Finance.

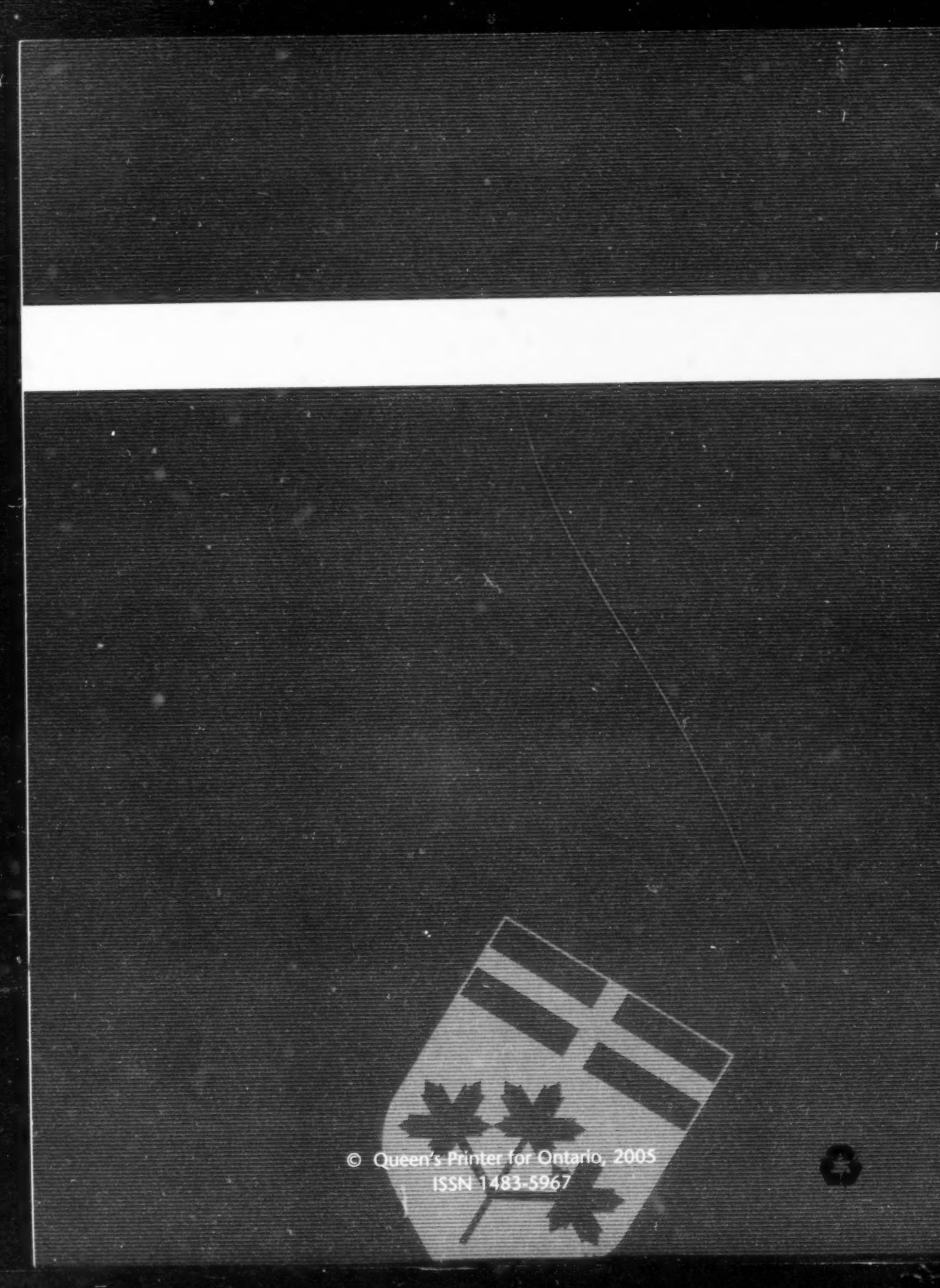
Mailing Address
The Honourable Dwight Duncan
Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, ON M7A 1Z1

E-Mail Address
submissions@fin.gov.on.ca

Facsimile
416-325-0969

On-Line Submissions

Individuals can also submit ideas for the 2006 Budget by completing a form on the Ministry of Finance Web site at www.fin.gov.on.ca. Click on the "Tell Us What You Think" item in the Hot Topics menu.



© Queen's Printer for Ontario, 2005
ISSN 1483-5967